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NEWS SUMMARY

GENERAL

Mugabe refuses ceasefire for Queen

The Mozambique-based wing of the Patriotic Front led by Robert Mugabe says it will not observe a ceasefire during the Queen's visit to the Commonwealth Conference in Lusaka next month.

This was revealed as Abel Muzorewa, the Zimbabwe Rhodesia Prime Minister, left Salisbury for visits to the U.S. and Britain. He said he would press for international recognition and the removal of sanctions against his country.

He will spend two days in the U.S. before flying to London and meeting Margaret Thatcher. Page 2

Lule in London

Former Ugandan president Yusufu Lule was expected in London last night. He was seen off at Dar-es Salaam airport by President Julius Nyerere after spending two weeks in detention in Tanzania.

Arafat row

A row broke out between Israel and Austria because Chancellor Kreisky and the West German Socialist leader and president of the Socialist International, Willy Brandt, met PLO chief Yassir Arafat for talks in Vienna. Israel recalled its ambassador from Vienna. Page 2

Labour change

Intensive lobbying of the trade unions to secure a change in the Leftward balance of the Labour Party's National Executive Committee has been launched with the backing of James Callaghan and moderate members of the Shadow cabinet. Back Page

Blast kills boys

Two boys aged 15 and 16 died in Belfast when a lorry loaded with firelighters and aerosol cans exploded after they had apparently broken into it. Police think they were trapped and struck a match to try to find a way out.

Refugee ship

French hospital ship Ile de Lumiere is heading for Singapore with 900 Vietnamese refugees picked up from boats in the South China Sea.

Poison probe

Defence Secretary Francis Pym is to be questioned in the Commons tomorrow on Britain's alleged involvement in developing poison darts for intelligence operations. The question, by Labour MP Stanley Newen, follows a remark by an American expert at a Senate inquiry.

Premier move

President Sandro Pertini will today name Prime Minister designate for Italy, following the abandonment by Sen. Guilo Andreotti, the outgoing Premier, of his attempts to form a government. Page 2

Cost conscious

Demand for large second-hand cars with high fuel consumption has declined sharply following petrol price rises. The publishers of Glass's Guide, which indicates used-car values, say there has been both a slowing of sales and a fall in value on larger models. Page 4

Briefly . . .

Actor Michael Wilding died after a fall at his home near Chichester. He was 67.

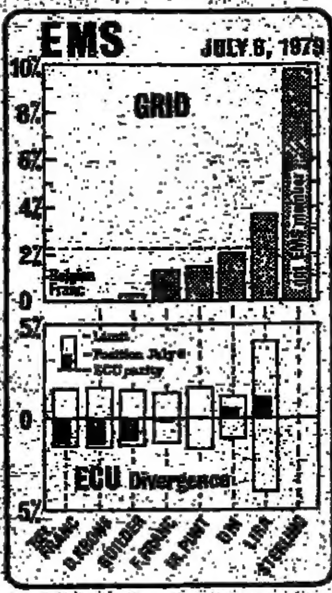
Former U.S. President Richard Nixon and his wife Pat have donated $100,000 (£45,454) to the American Cancer Society in memory of actor John Wayne, Senator Hubert Humphrey and other victims.

Cow in Soldo, in the Italian Alps, swallowed a man's jacket containing DM 18,000 (£4,090).

BUSINESS

Belgian franc remains weak

● BELGIAN franc remained the weakest member of the European Monetary System, in spite of last week's increase in lending rates. The Belgian national bank intervened heavily in foreign exchange dealings, without much lasting impression. On Friday the Belgian franc was inside its warning divergence limit against the ECU central rate.



This diagram shows the two constraints on exchange rates within the European Monetary System—the "grid" of cross rates from which no currency (except the Lira) may move more than 2¼ per cent, and the varying degrees by which each currency may diverge from its "central rate" against the ECU, itself a basket of European currencies. The "grid" is always shown by reference to the weakest currency in the system, which is the base line in the top chart.

● TRANSPORT Department officials are at present working on a transport Bill, not expected before the summer recess, which will include moves to sell shares in the National Freight Corporation, give bus operators more competition and tighten the drink-and-drive laws. Page 6

● INTERNATIONAL Accounting Standards Committee discussion paper on international bank accounting practices is not being given the support from the Basle Committee of Banking Supervisors its authors had sought. The paper considers the need to harmonise bank financial reporting standards and offers guidelines for the development of disclosures in bank's financial statements. Back Page

● PRESIDENT CARTER has called U.S. business leaders to Camp David in his search for an oil and economic policy which may have a direct impact on his political future. Back Page

Saudi find confirmed

● SAUDI ARABIA has confirmed a sizeable new oil find in the country's desert eastern province. Back Page

● OIL EXPLORATION, a small British oil company, is to try to find and produce oil from an onshore area near Edinburgh, where BP and the Gas Council found small quantities of oil and gas in the 1950s. Page 6

● IRAN has said it is prepared to accept payment for oil in hard currencies other than the dollar.

● CIVIL SERVICE scientists and technicians will today begin further selective strikes in support of their pay claims which are expected to disrupt power supplies to service establishments, MoD communications and House of Commons facilities. Page 6

CONTENTS

Egypt appeals for $18.5bn to offset Arab boycott

BY ROGER MATTHEWS IN CAIRO

The Egyptian Government has predicted grave consequences for its economy as a result of the Arab boycott, and has appealed to the world's main industrialised nations to provide $18.5bn over the next five years to prevent "delays in the progress of peace."

In a document sent to the seven leaders at last month's summit meeting of industrialised nations in Tokyo, the Government of President Anwar Sadat warned that Egypt's overall balance-of-payments deficit this year could climb to $5.4bn, compared with $1.9bn in 1978.

These revised projections for 1979 were based on three main assumptions stemming from the Arab boycott imposed after the peace treaty was signed with Israel.

Export fears

First, that exports might decline by about 8 per cent, while imports would drop by about 3 per cent.

Second, the probability that remittances sent from Egyptian workers abroad, and tourism, would both be badly hit. Egypt estimates that remittances may decline by $1.125bn and tourism earnings by $450m, that is to half their 1978 value.

Third, Egypt assumes that Arab deposits at the Central Bank totalling $1.9bn will be withdrawn.

The document provides official confirmation for the first time that Arab bank deposits amounting to $1bn have already been recalled, though it does not say whether Egypt is either willing or able to repay them.

The grim picture painted by the Egyptian Government contrasts both with its own public statements and with the projections of other organisations such as the International Monetary Fund and the World Bank.

While there is widespread agreement that the economy faces serious difficulties that may worsen in the next 12 months if no official action is taken, few economists estimated that the Arab boycott would lead to such dire consequences in the short term.

Mr. Sadat announced some months ago that he was launching a five-year $15bn "Carter Plan" to assist Egypt's economic development, a figure that has now been increased by his Government by $3.5bn.

Egypt received nearly $2bn in all forms of aid last year, with the U.S. providing about half.

To demonstrate what Egypt is losing as a result of the cut-off in Arab aid, Cairo has also listed the amounts it has received since the 1973 war with Israel.

This includes $3.7bn in direct aid from governments, concessionary project loans from various Arab funds of $725m, a $3bn loan from the Gulf Organisation for the Development of Egypt, plus the $2bn deposited at the Central Bank.

Lost loans

In addition Egypt says that the Gulf Organisation had previously agreed to re-lend to Egypt the interest and principal on the $2bn on a revolving basis, and this "would have provided for Egypt an additional sum of $2.7bn, which is the amount of principal and interest of the loan."

The decision by Saudi Arabia, Qatar and the United Arab Emirates to withdraw from the Arab Organisation for Industrialisation, the budding arms industry in which British and U.S. companies participate, would further cost Egypt the potential benefits of investments worth about $1.5bn, according to the Sadat Government.

Post Office loses £35m on telegram services

BY JOHN LLOYD

The Post Office telegram services lost about £35m over the past financial year. Inland telegrams accounted for £10m of the loss and overseas telegrams 25m.

In the previous year inland telegrams lost £8.5m and overseas telegrams £26m.

The Post Office has comcomitted itself to keep the service going in spite of the heavy losses. There has been a slight improvement in volume of inland telegram traffic—up from 3.2m in 1977-78 to 3.3m in 1978-79—but a fall in overseas traffic, from 13.9m to 12.8m.

Decision

In an attempt to increase profitability on overseas telegrams, the corporation has told the three private international telegram operators that their licences—due to run out in 1981—will not be renewed.

It is believed that Sir Keith Joseph, the Industry Secretary, has been asked to review the decision in the course of a general study of the Post Office's monopoly.

The three private concerns are Western Union, Commercial Cable and PQ Cable. All have operated under licence from the Post Office since the nationalisation of cable traffic in 1947.

Reconciled

Mr. Derek Ralph, London manager of PQ Cable — a subsidiary of a French company — said that traffic had been falling for some time, and that the company was reconciled to losing its cable traffic.

It has created PQ Telesystems, a company which operates a telex bureau service, where there is considerable growth.

"We will leave the cable business with some regret, but it is a shrinking market. We appealed against the decision at the time, but the Post Office holds all the strings."

A monopoly goes on trial, Page 13

Bonn attacks EEC farms surplus policy

BY JONATHAN CARR IN BONN

IN A new sign that support for reforming the Common Agricultural Policy is gaining ground in West Germany, Count Otto Lambsdorf, the Economics Minister, has criticised surplus agriculture production and suggested how the problem might be eased.

His comments are significant, not only because they were made before about 13,000 German farmers holding their national conference at Muenster this weekend, but because he has at last openly criticised aspects of a policy long defended by his party colleague, Herr Josef Ertl, the Agriculture Minister.

Both men are members of the small Free Democrat Party, whose leaders have for a long time held back from attacking the CAP publicly, so as not to complicate Herr Eartl's position.

However, it is now being recognised — even by Herr Ertl — that if surplus production continues to mount at its present rate, finance for the CAP will run out before long and the policy will collapse.

Count Lambsdor's agreed that farmers had a right to share in the general income improvment in West Germany. But he questioned whether this improvement should be as dependent on increases in farm prices as at present.

The market simply did not permit price increases in some key products, he said, and regulations could not function properly when more was being produced for sale into intervention at a guaranteed price than to match real demand.

He also warned that the EEC's agricultural export policy (under which surplus products are sold in other markets at subsidised prices) could damage prospects of successful talks between European nations and raw materials producers.

Count Lambsdorf said he seriously wondered whether direct income support for farmers with surplus products could not be introduced as a partial substitute for the present reliance on price increases.

This suggestion was promptly rejected by the German Farmers' Association, which insisted that price policy must remain the central instrument of agricultural income policy.

The association complained that following the recent EEC farm price decisions in Luxembourg, the position of the German farmer was more precarious than before.

Imported cars take 56% of market

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

IMPORTERS WON a record 56 per cent of the new car market in June, a month when many other records were shattered.

Official industry statistics show that total sales topped 200,000 for the first time in any month. At 200,172 they were 51 per cent up on June, 1978, and 29 per cent up on the previous peak of 155,484 in June, 1972.

As previously reported, the six months to June were the first half-year in which more than 1m new cars were registered.

Importers' market penetration reached a record 55.44 per cent in the half-year, up from 47 per cent at the same stage last year.

The first-half total of 1,031,330 new cars registered was 19 per cent higher than in 1978, according to the figures published by the Society of Motor Manufacturers and Traders.

In June this year, "captive" imports by UK-based manufacturers reached 16.7 per cent of the market. Ford took a 12.76 per cent market share with cars from Belgium, West Germany, Ireland and Spain.

Cars assembled abroad totalled 25,554 out of the 52,874 Ford cars sold in June, or 48.3 per cent of the group's registrations.

Ford lost some of its market share in the month, with a 26.4 per cent penetration. The Fiesta and Cortina were in short supply, possibly because of changes being made for the introduction of a "facelifted" Cortina in September.

Ford can usually count on selling 22,500 Cortinas a month.

Continued on Back Page
Car registrations table Page 4

Union declares war on labour law changes

BY ALAN PIKE, LABOUR CORRESPONDENT

GOVERNMENT proposals for changes in employment law, due to be outlined today, are guaranteed to run into immediate opposition from Britain's biggest union.

The executive of the Transport and General Workers' Union has unanimously approved a resolution for the union's conference which opens in Scarborough this morning urging the TUC to "mobilise maximum trade union resistance" to the proposed changes.

It pledges "full support for the strongest possible defence of basic trade union rights."

It is likely that the executive resolution, which accuses the Government of intending to "restrict trade union activity through legislative measures and to penalise the families of workers involved in industrial action," will be debated by delegates tomorrow.

The Government's intention to amend certain key areas of labour law was spelt out in the Conservative election manifesto. Today the Government is expected to outline its general thinking in a discussion paper from the Department of Employment.

This document will provide a basis for detailed consultations which Mr. James Prior, the Employment Secretary, is having with both sides of industry preparatory to the tabling of a Bill in the autumn.

Mr. Harry Urwin: He hopes the Government will not get into a 1971 situation.

The Government's document is unlikely to produce any great surprises in terms of either content or omissions.

Action to contain secondary picketing, tight conditions for the introduction of future closed shops, with improved redress for the individual, and proposals for financial assistance to unions wishing to use secret ballots can be expected to be included.

The executive of the Transport and General Workers' Union is in a particularly strong position to know what to expect from the discussion paper. Mr. Harry Urwin, the union's deputy general secretary, is chairman of the TUC Employment Policy and Organisation Committee.

This committee has been involved in informal discussions with the Government and will be in the front line of the forthcoming debate on proposed changes.

Mr. Urwin said yesterday that the Conservative manifesto had made it clear that the Government wanted to reduce the bargaining power of unions, and the proposals were likely to produce a strong reaction from the TUC.

He hoped the Government would think carefully and "not get into a 1971 situation again." In 1971 the last Conservative Industrial Relations Act met concerted resistance from the unions.

Treasury Minister for U.S. talks on unitary taxation

BY DAVID FREUD

MR. PETER REES, Minister of State to the Treasury, is to visit the U.S. in September for wide-ranging talks on unitary taxation, which some individual American states are applying to British companies.

The visit is the result of increasing agitation by UK companies in the last few weeks against the principle of unitary taxation, which assesses companies on the basis of a proportion of their worldwide income rather than local profits.

A group of 40 major British companies has called for the long-delayed U.S.-UK double tax treaty not to be considered by the Commons until there are firm moves in the U.S. to curb states' use of this method of taxation.

The Confederation of British Industry announced yesterday that it had written to the Chancellor again expressing deep concern about unitary tax. It said that the proposed treaty would open the door to such taxation on UK companies in certain American States, such as California.

The Senate is expected to ratify the revised treaty today following recent approval by its Foreign Relations Committee.

The treaty has become involved in the unitary tax question because as originally drafted in 1975 it contained a clause preventing states applying this form of taxation to UK companies.

The clause was thrown out last summer by the Senate, and a revised text, in the form of a protocol, drafted.

If, as expected, this protocol is approved by the Senate, the Government plans to bring it before the Commons after the recess, which ends in mid-October. A full debate is likely, in view of the concern expressed by MPs.

In the meantime Mr. Rees will have visited the U.S., where he aims to look at four specific areas in the controversy over unitary taxation.

He will hold talks with the Federal authorities on prospects of legislation to curb the practice.

Secondly he will see senators in an attempt to establish the standing of the proposed Mathias Bill on state taxation, which reduces states' rights to tax foreign companies on a unitary basis.

He will also try to establish whether there are propects of the Supreme Court, if a suitable case were brought, ruling unitary taxation of foreign companies unconstitutional.

Finally, time permitting, he may go to California to discover how the state puts unitary taxation into effect, and what are the prospects of a change of approach there.

There is little disagreement between the two Governments and the UK companies on the undesirability of unitary taxation.

However, the tactical argument of the companies that pressure should be put on the U.S. by using the double tax treaty is believed to be dangerous, given the political climate of Washington.

A U.S. Administration whose first priority is the battle to push an energy policy through Congress cannot be expected to add to its difficulties for the sake of foreign companies.

Arafat talks anger Israel

BY PAUL LENDVAI IN VIENNA

A FIERCE ROW has broken out between Israel and Austria because of talks here over the weekend involving Chancellor Bruno Kreisky, Herr Willy Brandt, president of the Socialist International, and Mr. Yassir Arafat, leader of the Palestine Liberation Organisation.

The Israeli Government has recalled for consultations Mr. Yakov Doron, its ambassador in Vienna, and has lodged a protest with the Austrian chargé d'affaires in Tel Aviv against what it called "a demonstrative act against the Jewish people and Israel."

Both Herr Brandt and Dr. Kreisky stressed yesterday that the meeting with Mr. Arafat was arranged in accordance with a resolution of the bureau of the Socialist International which last autumn authorised its president to establish contacts with the PLO.

Chancellor Kreisky, as vice-president of the Socialist International, headed three fact-finding missions to the Middle East in 1975-77 and met Mr. Arafat three times.

He also played host at a meeting between President Sadat and Mr. Shimon Peres, the Israeli Labour Party leader, in Salzburg last year.

Herr Brandt said yesterday that he would submit a detailed report to the Socialist International on the Vienna talks and would recommend the continuation of contacts with the PLO. In a communique all three men expressed "extreme concern" over Israeli settlement in occupied Arab territories

Both Dr. Kreisky and Herr Brandt, who talked with Mr. Arafat for some 10 hours after his arrival from Bulgaria on Friday night, said that they had not gained the impression that recognition of legitimate irghts, including self-determination for the Palestinians, was tantamount to destruction of Israel. *Herr Brandt added that no one* had the right to doubt his or Dr. Kreisky's loyalty to their friends in Israel.

But the fact that Dr. Kreisky welcomed Mr. Arafat at Vienna Airport was seen by Israel diplomats as an added insult.

Ihsan Hijazi reports from Beirut: Mr. Arafat's visit to Vienna is seen in Lebanon as a major victory for the PLO. Some sympathisers compared the talks to Mr. Arafat's appearance before the United Nations General Assembly in 1974.

A PLO spokesman said the invitation to Mr. Arafat was made three weeks ago and reflected European disapproval of the U.S. policy of ignoring *the PLO in current moves for a* Middle East solution.

L. Daniel writes from Jerusalem: Mr. Menahem Begin, Israel's Prime Minister, and Mr. Peres, leader of the Opposition, are to issue a joint statement to the Knesset today condemning the meeting between Dr. Kreisky and Mr. Arafat.

Yassir Arafat—"a major victory"

No ceasefire for Queen—Mugabe

BY OUR FOREIGN STAFF

MR. ROBERT MUGABE'S Mozambique-based wing of the Patriotic Front has said it will not observe a ceasefire during the Queen's visit to the Commonwealth Conference in Zambia.

Bishop Abel Muzorewa, the Rhodesian Premier, has meanwhile pledged that his security forces will take no action that would endanger the Queen during her visit.

An official of Mr. Mugabe's Zimbabwe African National Liberal Army (ZANLA), in Monrovia for the annual conference of the Organisation of African Unity, said his organisation would not follow the lead of Mr. Joshua Nkomo, who said his Zambian-based guerrillas would halt their attacks into Zimbabwe Rhodesia during the conference.

In Salisbury, Bishop Muzorewa said he would be prepared to respond positively to any undertaking by Zambian-based guerrillas to reduce attacks on civilans inside Zimbabwe Rhodesia.

"I must stress that actions by our security forces in Zambia are defensive and where necessary pre-emptive," he said in a statement. They were directed only against guerrillas and not against the Zambian people or security forces.

The Queen is due to start her nine-day visit to Zambia on July 27 and the conference opens on August 1.

Before leaving for the U.S. and Britain, Bishop Muzorewa told a crowd of 4,000 that those who maintain trade sanctions against his country were "sick in the head."

Mark Webster reports from Lagos: Results in Nigeria's senatorial elections were slow coming in yesterday, after heavy rain in the south disrupted Saturday's polling and hampered communications.

New Italian Premier to be named today

By Rupert Cornwell in Rome

President Sandro Pertini will today name a new Prime Minister-designate for Italy, after the weekend abandonment by Sig. Giulio Andreotti, the outgoing Premier, of his attempts to form a new Government.

The intense speculation and total uncertainty surrounding the President's decision are a sign of how intractable Italy's political crisis remains, just a month after the inconclusive General Election of early June.

Sig. Pertini has the choice of asking another Christian Democrat to try where Sig. Andreotti failed — or for only the second time in over 30 years call on a non-CD "lay" politician to attempt to end the six-month period Italy has been without a Government with Parliamentary backing.

The first course runs the risk of another Socialist veto of the type that put paid to Sig. Andreotti. But it is doubtful that the Christian Democrats would accept losing the influence and prestige of the Premiership.

Meanwhile, negotiations were continuing yesterday to try to break the deadlock between unions and management over a new wage contract for the country's 1.5m metal workers.

DC-10 checks may result in resumption of flights

BY JOHN WYLES IN NEW YORK

EIGHT U.S. AIRLINES whose 138 DC-10s have been grounded since June 6 have begun a new round of inspections ordered by the Federal Aviation Administration (FAA) which, it is hoped, will clear the way for the aircraft to resume operations.

The FAA designed the inspections to be the most thorough since the crash of the American Airlines DC-10 at Chicago on May 25 which claimed 273 lives.

With each new inspection to be supervised by an FAA inspector, the aircraft are being subjected to about six hours' scrutiny each, with the principal focus again being the pylons which attach one engine to each wing of the aircraft.

But the carefully-worded FAA statement avoided committing the agency to a prompt re-certification of the DC-10 if the U.S.-operated aircraft gain a clean bill of health from the inspections.

"Other inspections—and even design changes—could be required before the planes fly again," the agency said.

The FAA's diffidence is believed to stem from its anxieties about the DC10's slat system—the leading edges of the wings which are extended to give maximum lift on take-off.

Although the immediate cause of the Chicago crash is believed to have been the ripping away of the left wing engine on take-off, the fact that the hydraulic system controlling the slats was damaged, causing the left wing's slats to retract when the engine was torn away, has been a strong cause for concern.

The evidence suggests that the flight crew did not realise that the slats on one wing were no longer extended, but that if they had been aware of it, control of the aircraft could have been maintained.

Flight simulator tests have reportedly shown that the effect of asymmetrical slats can be overcome, except at very low take-off speeds.

But it is being speculated ... a mechanical braking ... will be added to the ... mechanisms to provide an ... safeguard.

This, coupled with an improve... ment in the mechanism ... which the engine pylon ... attached to the wing ... expected to comprise ... design changes the FAA ... want to see.

Most observers do not ... that the FAA will insist ... modifications to the ... grounded aircraft before ... can fly again. But until ... FAA makes its position ... the possibility cannot be rule... out.

France strengthens links with Iraq

BY ROBERT MAUTHNER IN PARIS

THE OFFICIAL visit which M. Raymond Barre, the French Prime Minister, is at present paying to Iraq, is expected in Paris to lead to both closer economic and political relations with a country which is one of France's main oil suppliers after Saudi Arabia.

After an agreement earlier this year, Iraq has undertaken to step up its oil deliveries to France by 25 per cent to 25m tonnes, thus providing France with more than one-fifth of its total requirements for imported crude in 1979.

To pay for these imports, France has made no secret of its desire to step up its arms sales to Iraq.

Negotiations for a package of French Mirage F-1 fighters and other arms, estimated to be worth nearly £800m, were completed by the French and Iraqi Defence Ministers during talks here in May this year.

The Iraqis are also reported to be interested in purchasing France's latest military plane, the Mirage Delta 2000.

But it is not certain whether any specific contracts will be signed during M. Barre's visit to Baghdad, where he has had talks over the weekend with Mr. Saddam Hussein, vice-president of the Revolutionary Command Council and effective head of the Iraqi Government.

It is significant, too, that ... Barre is accompanied by ... Michel Pecqueur, the head ... France's Atomic Energy Com... mission, which suggests ... nuclear co-operation betwe... the two countries is also ... important item on the agenda ... of the talks.

The French appear to be pre... pared to supply a new experi... mental reactor to Iraq to re... place the 70-MW Osiris reactor. It is not clear, however, whether the new reactor would run ... highly enriched uranium ... produces plutonium fuel ... could be used for the manufac... *ture of atomic weapons.*

The French Government ... been insisting lately on ... controls over exports of nuc... equipment to prevent the pro... liferation of nuclear weapons ... France is believed to be ... likely to make an exception ... Iraq, however ... strong ... economic reasons for doing ...

On the political ... Franco-Iraqi relations have ... much improved because ... France's public reservatio... about the Camp David agre... ment between Israel and Egyp...

There can be little doubt th... Iraq looks on France, which h... all along insisted that a... Middle East settlement mu... include a satisfactory *soluti...* of the Palestinian problem, ... its main, if not only friend ... the West.

Strauss no easy opponent, Schmidt warns party

BY JONATHAN CARR IN BONN

CHANCELLOR Helmut Schmidt has warned his party it could pay dearly if it underestimated Herr Franz-Josef Strauss, the opposition's new candidate for the Chancellorship in general elections next year.

Breaking his silence on the nomination for the first time, Herr Schmidt told Social Democrat Party (SPD) supporters at the week-end that Herr Strauss was no easy opponent.

It would be dangerous to assume that many voters had made up their minds in advance to reject Herr Strauss, and that therefore the SPD could relax its election campaign efforts.

The Chancellor made clear he opposed dragging out again past political matters with which Herr Strauss's name has been associated. Instead, the SPD should carefully dissect and publicly challenge Herr Strauss's policy statements—for exampl... on foreign or union affairs.

Herr Schmidt's comment... reflect fears in the Governme... coalition camp that too man... party workers may be incline... to write off Herr Strauss as ... "bogey man" and leave hi... to make self-destructive mis... takes.

Comments by Herr Strauss ... the week-end indicate he i... moving carefully to ensure sol... darity from all sectors of th... opposition, even those who d... not normally espouse his mor... Right-wing views.

He had words of praise fo... Dr. Helmut Kohl, the middle-of-the-road Christian Democrat ... who has long been a rival. H... rejected suggestions, comin... notably from his own Bavaria... Christian Social Union (CSU) ... party, that Dr. Kohl should now ... give up his leadership of th... opposition group in Parliament.

Explosion highlights threat to Iran's oil pipelines

BY OUR OWN CORRESPONDENT

Iran's national oil company was unable to account yesterday for an explosion that ripped through an oil pipeline and wrecked a gas line and several other oil lines between Abadan and the export terminal of Bandar Mahshahr in the oil province of Khuzestan.

Suggestions of sabotage by various political groups rippled through the nervous political community in Tehran soon after the explosion on Saturday, but information from the south indicated that it was an accident.

An official of the National Iranian Oil Company said the flow of oil and gas in the pipeline was stopped immediately. Fire fighting units from Abadan and Bandar Mahshahr were hurried to the area and the major blaze was brought under control within an hour. Oil that had spilled in the desert continued to burn for many hours. No casualties were reported.

Estimates of the loss of oil ranged from 20,000 barrels to 100,000 barrels. Officials reported that there had been no interruption in the flow of exports because of reserves in stock. Oil engineers said the damage could probably be repaired in a couple of days.

NIOC officials dismissed the fire as "not very serious" but the incident pinpoints the vulnerability of oil industry installations. The hundreds of miles of exposed pipelines cannot be guarded constantly.

NIOC has been increasingly uneasy about security in the oilfields

Budget protest strikes hit Pakistan cities

A GENERAL strike to protest at last month's Budget passed off in Pakistan yesterday without major incident, although many cities and towns were affected, Simon Henderson reports from Islamabad.

Karachi was almost completely shut down. The Government-run bus service still operated, but taxis and mini-buses were off the roads. Two buses were reported burnt by demonstrators and tyres were set on fire at several points.

Elsewhere the strike, organised by the Pakistan National Alliance, which resigned from the Government in April, was less complete. Protests at the increases on fuel, cooking oil, and milk powder has already prompted President Zia to call a meeting of industrial leaders and economists today.

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WORLD TRADE NEWS

U.S. hopes pact will bring rapid rise in China trade

BY DAVID BUCHAN IN WASHINGTON

U.S. TARIFFS on Chinese goods will drop sharply, from the present average of 24 per cent to an average 5.5 per cent, under the framework trade agreement signed over the weekend between the two countries. It would give Chinese exports most-favoured-nation, or non-discriminatory, tariff treatment in the U.S. market.

By contrast, tariff benefits for the U.S. will be minimal, Government officials in Washington say, because China has no structured tariff code and U.S. exports to China are probably capital intensive enough to escape duties, even if it had.

But the U.S. sees gains for business in parts of the pact governing patents, trademarks, copyrights, allowing the U.S. to set up official and private trade offices in Peking, and letting U.S. companies compete in the Chinese market on an equal basis with their West European and Japanese competitors.

Mrs. Juanita Kreps, the U.S. Commerce Secretary, who initialled the agreement with the Chinese in May, hailed it as a significant contribution to expanding U.S.-Chinese economic ties. Her department estimates that, with the new agreement likely to come into effect early next year, total two-way U.S.-China trade could expand from around $2bn this year to $5bn by 1985.

Its estimate is that the balance of that trade will continue to run in favour of the U.S., with U.S. exports reaching $3.5bn by 1985 and Chinese exports to the U.S. $1.5bn. That is in the context of the persistent deficit which "the U.S. has run for several years with the rest of the world."

However, the Carter Administration has still not disclosed when it will submit the China trade pact to Congress for approval. President Carter has to ask Congress to waive in the case of China the Jackson-Vanik amendment that bars U.S. tariff and Export-Import Bank credit concessions to Communist countries that do not permit free emigration.

While there is little doubt in the Administration or on Capitol Hill that China's emigration policy is liberal enough for that amendment to be waived, Mr. Carter may want to move cautiously to avoid irritating the Soviet Union, to which he had earlier promised to try to grant most-favoured-nation status.

The Soviet Union has offered no assurances so far to the U.S. on its emigration policy. But it might take offence at the U.S.-China trade agreement and this could prove politically awkward as the SALT debate starts in the U.S. Senate.

Assuming the Jackson-Vanik amendment is waived for China by Congress, which will have 60 days to consider the trade agreement once it is formally submitted by the Administration, "the Export-Import" Bank will be free to offer credit and loans on export deals to China. But officials say this will be done on a case-by-case basis. The U.S. will not be offering Peking a general government-backed line of credit, as many West European countries have done.

More than half U.S. exports to China this year will be agricultural, between $700m and $900m, the commerce department estimates. But it also sees strong export potential in several industrial and construction sectors, such as hotels, iron ore and non-ferrous metal mining, oil, power, coal and transport equipment.

U.S. jeans companies seek Soviet plant deal

By Stewart Fleming in New York

THE THREE leading U.S. blue jeans manufacturers have been asked to bid on a contract to help Russia build a plant which would supply the Soviet Union with a form of clothing once seen by that country as symbolic of Western decadence.

The Russians do not appear to be interested in having a factory built to produce jeans with the names of Halston, Gloria Vanderbilt or Anne Klein plastered on them. Instead Levi Strauss of San Francisco, Blue Bell of Greensboro, which makes Wrangler jeans, and the VF Corporation, which sells under the Lee Label, are the Soviet choices. Their wares sell at around $20 per pair.

The manufacturers are not releasing details of their negotiations, but all seem agreed that there is, as a Blue Bell official put it, tremendous demand for blue jeans in the USSR.

Issues which will need to be resolved, however, are who will operate the new plant and who will own it. The market may be big, but U.S. corporations are always anxious to see the bottom line.

ISRAEL'S TRADE

Learning to live with a deficit

BY MARGARET HUGHES, RECENTLY IN TEL AVIV

AFTER INFLATION the problem of reducing its widening trade deficit is Israel's major economic preoccupation and one which the country has lived with since its establishment.

Israel succeeded in reducing the visible trade gap during 1976 and 1977 bringing the deficit down to $1.73bn (£779m) from its 1975 peak of $2.28bn. But its visible trade deficit was up again last year to $1.89bn, and was markedly higher in the first quarter of this year.

Mr. Meir Livnat, director of the foreign trade division of Israel's Ministry of Industry, Trade and Tourism, acknowledges that the widening deficit is a problem which Israel will have to live with "for many, many years." There is little prospect of reducing the deficit in the foreseeable future. The best Israel can hope to do *is to minimise the increase so* that the trade deficit does not become an insurmountable problem in the longer term.

Last year visible exports totalled $3.92bn representing an increas of 25 per cent on the previous year, when the growth in exports was higher, at 32 per cent. In real terms, however, the increase of 25 per cent on the (excluding diamonds) was only 2 per cent compared with an average gain of 17 per cent in the two preceding years.

Imports, meanwhile, rose 19 per cent last year to £5.86bn against an increase of 18 per cent in 1977. Excluding diamonds and defence imports, the growth in volume amounted to 10 per cent compared with a minimal increase in 1977 and an actual decline in 1976.

There has been a further widening of the visible deficit during the first quarter of this year of 59 per cent to $759m, with imports showing a further increase of 20 per cent to $1.8bn against a rise in imports of only 11 per cent to $1.03bn.

Given the structure of Israel's imports *there is little scope for* tackling the problem by reducing imports. Some 25 per cent of the import bill goes towards defence. Last year this was up nearly 48 per cent and, even given the peace treaty, with Egypt, this sector will continue to be a major drain on resources.

In addition Israel has to import virtually all its raw materials. Oil and minerals account for some 12 to 13 per cent of imports and will have increased considerably following the latest OPEC price increases.

Capital goods imports are another key element in the imports bill as Israel strives to *step up its industrial development* to minimise its traditional dependence on agriculture, all the more so since industry has, of necessity, to be capital-intensive because of the shortage of labour.

Capital goods imports increased by nearly 30 per cent last year to account for 15 per cent of the total.

A rapidly expanding import sector is consumer goods. Last year these imports were up 22 per cent to $420m, but in the current year they are expected to show an increase of well over 80 per cent. This is already in evidence, in the first quarter, when a rise of 89 per cent reflected the consumer spending boom promoted by the rush to beat ever rising prices.

Furthermore, when the present Government came to power it liberalised imports as part of its new economic policy. Israel's agreement with the EEC aims at eliminating all duties on imports from the EEC by 1989.

Thus the main effort to reduce the trade deficit is being directed at increasing exports.

Indeed, the narrowing of the trade gap which was achieved during 1967-77 was largely the result of stepping up exports. The value of exports now covers some 66 per cent of imports against only 45 per cent in 1975.

Increasing emphasis also is being placed on changing the structure of exports. Citrus, which 30 years ago accounted for 65 per cent of the total, today accounts for only some 5.6 per cent while other agricultural goods account for only another 7 per cent.

The potential for increasing exports further is limited by the scarcity of cultivable land and water. Efforts have, however, been made to diversify into more lucrative export earners such as flowers and out-of-season fruit and vegetables. A further problem on the horizon is the increased-competition *which Israel will face in* its main market, the EEC, when countries such as Spain, Greece and Portugal are members. About a third of Israel's exports to the EEC are agricultural products.

Israel is attempting to renegotiate its agreement reached with the EEC in 1975 so that its agricultural produce will enjoy the same free access as these new members. With a widening trade gap with the EEC—it imports about three times what it exports to the EEC—Israel would also like to step up its industrial exports which, despite having tariff-free access to the EEC, are, in Israel's view, hampered by non-tariff barriers.

Such has been the change in the structure of Israel's exports that industrial goods now account for 53 per cent of the total. *This excludes polished* diamonds which at $1.32bn last year account for 36 per cent of exports but whose net contribution to the balance of payments is far less as the rough diamonds are imported.

It is within the industrial sector that Israel now sees its main export potential and in the high technology, high added-value end of the market.

Israel's main markets are the EEC *and U.S., which respectively* account for 36 per cent and 19 per cent of total Israeli exports. Israeli goods are geared to the needs of these two main markets, and Israel is anxious that its export effort *should not be weakened by* attempting to sell too many products in too many markets.

Israel, however, is anxious to find new markets closer to home. Having lost a valuable market worth $100m last year in Iran, it does not expect its exports to Egypt to amount to more than $20m-$30m a year, rising perhaps to the $80m-$100m over the next five or ten years.

The Israeli Export Institute's aim is to increase industrial exports in real terms by 25 per cent a year, but the trade body admits there has been virtually no real growth so far in the current year. Israel's export *effort is being hampered by the* high level of local consumption and a shortage of production capacity, while the high level of domestic inflation is affecting the competitiveness of its exports.

SHIPPING REPORT

Cargo rates enter stable phase

BY IAN HARGREAVES, SHIPPING CORRESPONDENT

TANKER RATES bobbed upwards last week on the strength of a heavy volume of inquiry, but dry cargo rates seem to have entered a stable phase.

A very large crude carrier of 250,000 dwt was chartered from the Gulf for a westward voyage at Worldscale 55, good a rate as the market has seen for a long time.

Outlook remains uncertain, however, with a large number of ships due to arrive at loading terminals. In the medium term, the increase in oil output from Saudi Arabia should help to underpin tanker markets.

Firmness in dry cargo markets is still principally due to grain business, although with higher steel production forecast in Japan, some assistance is carriers.

There is still, however, no sign that owners of dry cargo ships are ready to go for period charters.

For British owners, there is the increasing and unaccustomed problem of the strength of sterling.

This is perhaps one consideration behind the progressive sale of London and Overseas Freighters' fleet of SD14 cargo liners.

● Another agreement hs been made by shipping lines serving Europe and the Middle East in an effort to consolidate rates and prevent cut-throat competition. Seven of the largest container and "ro-ro" carriers between the UK and Jeddah say that from August they will operate on a common tariff and rules of carriage.

World Economic Indicators

RETAIL PRICES

	May '79	April '79	March '79	May '78	% change over previous year.	Index base year
UK	215.9	214.2	210.6	195.7	10.3	1974=100
U.S.	214.1	211.5	209.1	193.3	10.8	1967=100
France	217.4	215.1	213.0	197.4	10.1	1970=100
Italy	150.4	148.5	146.7	131.3	14.5	1976=100
Belgium	132.0	131.7	131.4	127.0	3.9	1976=100
Holland	124.3	124.9	124.2	120.0	4.1	1975=100
	April '79	March '79	Feb. '79	April '78		
W. Germany	150.0	149.2	148.2	145.0	3.4	1970=100
Japan	125.7	124.0	123.0	122.5	2.6	1975=100

UK assets at risk in Iran

By Lorne Barling

The UK's Export Credits Guarantee Department could be faced with major claims under its overseas investment insurance scheme if Iran goes ahead with announced plans to nationalise all foreign interests.

ECGD's current liabilities in Iran, almost all on equity investment, amount to well over £7m, mainly in comparatively small *amounts in joint venture* companies. Total foreign assets, from all countries, at risk in Iran amount to around £500m.

The spread of investments covers a wide range of industry, and since equity holdings have been restricted to minority shares, individual company losses are not expected to be great in most cases.

One company which would suffer is BL's Leyland Vehicles, which has a 7 per cent share in an Iranian truck company, and a 26 per cent share in a diesel engine concern. At present both are being run by Government officials.

Nott for Brussels talks

BY OUR FOREIGN STAFF

MR. JOHN NOTT, the Secretary for Trade, is to visit Brussels tomorrow for talks with European Community officials *on the working of anti-dumping* controls, which became an EEC responsibility in 1977.

Mr. Nott, who will be accompanied by Mr. Cecil Parkinson, the Minister of State for Trade, will be seeking to ensure that rapid and rigorous action is taken against unfairly priced imports into the UK and the EEC.

Although there is no evidence that the system is not simplifying anti-dumping procedures and closing any possible loopholes.

It is also likely he will raise the question of intra-Community trade in certain manufactured goods, which is causing concern among UK companies.

Although anti-dumping measures are controlled from Brussels, the UK has retained a substantial London-based office to deal directly with British industry.

Andean Pact agreement

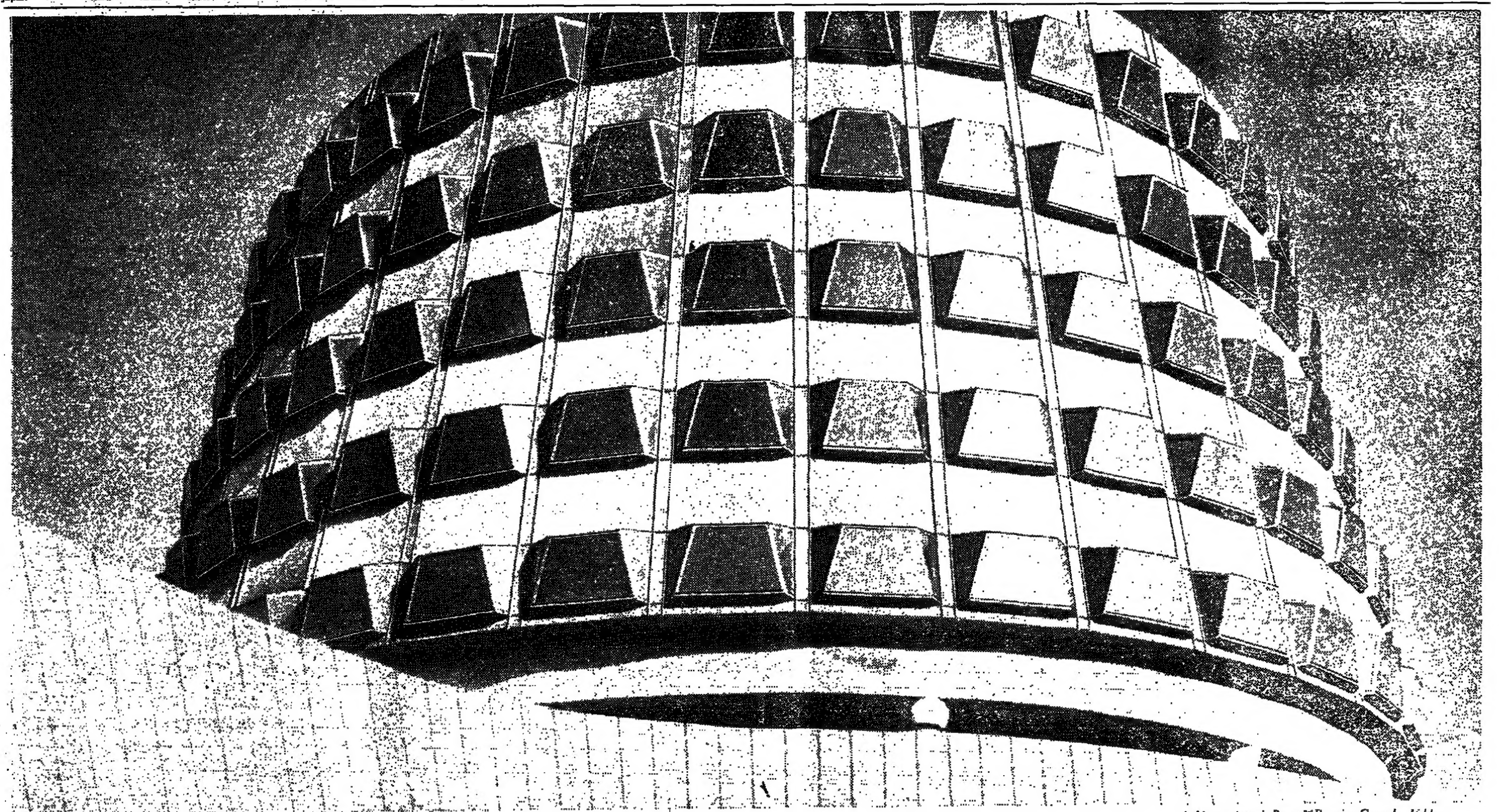
BRUSSELS—Mr. Julio Cesar *Turbay Ayala*, the Colombian President, and Mr. Roy Jenkins, President of the European Commission, have agreed to negotiate a co-operation agreement between the Common *Market* and the Andean Pact nations but have declined to reveal specifics.

The Colombian head of state, ending a tour of Europe, met with Mr. Jenkins for one hour at Common Market headquarters here. Mr. Turbay is seeking easier access to the European market for products of the Andean Pact nations — an economic community which comprises Colombia, Venezuela, Ecuador, Peru and Bolivia.

In a brief communique, Mr. Jenkins said he was ready to begin "as soon as possible, exploratory talks on the form and possible content of such a co-operation agreement." AP

Svenska Cellulosa

Svenska Cellulosa of Sweden says that its offer to British customers to supply bleached sulphate pulp over a six-month period was at a price of $455 a tonne, not $465 as stated in last Thursday's Financial Times.



Architects: Antonio Bonet & Francisco Gonzalez Valdes

Chairman of Alfred Herbert will quit

BY MAURICE SAMUELSON

SIR JOHN BUCKLEY will shortly give up the chairmanship of Alfred Herbert, the State-owned toolmakers, which he has held for the past four years.

However, company officials said yesterday that there was no question of Sir John, 66-year-old chairman of Davy International and a director of British Steel, "being pushed."

Although no date is known for his departure, Sir John himself said that he had had "a good stint" at Alfred Herbert and that the company had undergone "some painful reconstruction" over the past three years. It had, he said, "got a lot for its effort."

Speculation about Sir John's future comes against the background of discussions between Sir Keith Joseph's Industry Department and the National Enterprise Board about running of "lame-duck" companies.

Herbert has received an estimated £48m of Government money since it was nationalised in 1975. Last year, it made a loss of £7.4m against a net loss £342,000 in 1977.

However, the company says there has been "a lot of misunderstanding" about its finances. Mr. Walter Lees, the chief executive, said that none of the State money put into it had been dissipated, except for about £3m covering mainly redundancy payments.

Even if the present Government decided to give no more support, the company was now in a position to generate its own finances out of its stocks and its work in progress, thanks to the confidence of its bankers.

Orders were coming in at a record rate and in the second quarter of the year, were about 50 per cent higher than average. Last year's order book had been 25 per cent up on that for 1977.

Mr. Peter Rippon, who is being mentioned as a possible successor to Sir John, is already a member of Herbert's board. He is managing director and *vice-chairman of* Lindustries and a former managing director of Tube Investments' machine tools division.

Pay growth at 15% forecast by brokers

BY DAVID FREUD

A PAY EXPLOSION is unlikely in the forthcoming wage round, say City stockbrokers Phillips and Drew.

In its latest circular the firm predicts average earnings growth of about 15 per cent, only marginally higher than in the 1978/79 round, and below the expected turn-of-the-year inflation rate.

The firm says there is greater awareness among labour leaders that seeking excessive wage increases is not in the interests of their members' real living standards.

A new government with a sizeable overall majority has much more bargaining power than a minority government facing an election.

The effect of high settlements at the beginning of the round on later private sector deals may be smaller than usual, as demand weakens.

A firm public sector cash limit policy may deter those cash-limited groups from seeking excessive increases in the face of a pay/unemployment trade-off.

In particular, there may be little scope for public sector groups receiving comparability payments to obtain much else. This is because the comparability recommendation may be in terms of the total rise for the round.

Finally, Phillips and Drew say the tax rebates paid early in the round may have a slight moderating effect on settlements.

Unemployment

The Midland Bank Review, published today, says the main problems facing the Government policy of cutting inflation through monetary and fiscal means, is to ensure enough feed-back onto wages to keep unemployment within tolerable bounds.

Otherwise, the higher unemployment may itself bring the feed-back.

The Government will have to devise ways of influencing the attitudes of trades unions and wage-earners generally, so that negotiators see the adverse effects of excessive settlements on output and employment, and settle so as not to provoke them.

A "major effort of education, propoganda and cajolery is likely to be required."

Stockbrokers Laing and Cruickshank say in their latest circular that even if wage settlements in the next round average 18-20 per cent, the combination of a firm pound, lower employment and the absence of this year's shocks suggests the retail price inflation rate will fall from a 19 per cent peak at the beginning of 1980 through the rest of the year.

Firm monetary control has set the economy on the road to recession over the next 18 months, says the firm, while the anti-inflation benefits will be felt largely in 1981.

Stockbrokers J. and A. Scrimgeour expect falls in Minimum Lending Rate from the present 14 per cent in July-September. The reasons are market pressures resulting from the attractiveness of sterling investment at a time of oil price increases, and possible falls in U.S. rates.

MLR is then forecast to increase again, because bank lending should still be growing strongly.

Independent business forecasters Staniland Hall Associates predict that consumer spending on durables will fall 5 per cent next year. Car sales could be 10 per cent down.

International Computers sued for £2½m

By Max Wilkinson

INTERNATIONAL Computers Limited (ICL) is being sued for £2.5m by Telecomputing, a programming, company from which it had taken a licence a few years ago.

Telecomputing has filed a suit for breach of contract relating to a teleprocessing system which it developed for ICL machines.

International Computers took a licence from Telecomputing to market the software, which allows many terminals to be connected simultaneously to the same computer. However, ICL subsequently developed its own software for the purpose and ended the agreement with Telecomputing.

British 'hard-hearted towards the poor'

BY PAUL TAYLOR

PEOPLE in Britain are more "hard-hearted" towards the poor man their European negihbours, the Child Poverty Action Group claims today in launching a campaign to "bring home to the public the plight of Britain's forgotten poor."

The organisation cites the results of an EEC survey on people's attitudes towards the poor. It showed that only a third of those questioned in Britain thought there were poor in the UK.

Forty-three per cent of the Britons questioned thought the cause of poverty was laziness or lack of will power, compared to 25 per cent of those asked the same question in the EEC as a whole. Twenty per cent in Britain thought the Government was doing too much to help the power, compared to 7 per cent in the EEC as a whole.

In an attempt to change the views of people in Britain about poverty the Child Poverty Action Group is publishing a series of leaflets. One, called Poverty and Inequality: The Fcts, suggests that in 1976 there were almost 15m people in Britain living in or around the margins of poverty.

The action group argues that a coherent strategy to fight poverty—and the political will to carry it out—is urgently needed. Unless there is a clear demand for better child benefits and social security benefits, the needs of the poor will continue to be overlooked.

British Airways changes soon

BY LYNTON McLAIN

BRITISH AIRWAYS is expected to announce at least two senior Board appointments this week to complete the reshuffle started when Sir Frank McFadzean resigned as chairman last month.

The State-owned airline has been without engineering, planning and finance directors since June 1.

Mr. Roy Watts, former planning and finance director, took over as chief executive after Mr. Ross Stainton left the post to become chairman of the corporation.

One of the first tasks of the new finance director will be to assess the impact of the rising value of sterling on the airline's foreign earnings.

These accounted for over 57 per cent of the revenue of £1,355m in the financial year to the end of March. The U.S. and Canada accounted for 14.6 per cent of total revenue last year and this is now causing particular concern among members of the Board as the pound has risen in value by 8.8 per cent against the U.S. dollar since December 31.

When Sir, Frank resigned after three-and-a-half years as chairman he had 18 months of his period of office to run.

There was speculation last month that his experience as an oil economist—he was the chairman of Shell Transport and Trading before joining BA—and the fact that he was a fervent supporter of free enterprise might favour him for a job with Mrs. Margaret Thatcher's Government.

However, he has so far kept quiet about his plans.

Rising workload

Mr. Kenneth Wilkinson, the former engineering director, is deputy chairman. His engineering work may be taken over by Mr. John Garton, the present deputy chief engineer.

Planning and finance responsibilities, both reviously held by Mr. Watts, may now be split.

This would take account of the rising commercial workload British Airways has taken upon itself to meet the demands of air travel into the 1980s.

The airline plans to double to over 30m by 1986 the number of passengers it carries.

It also plans to double the 200,0000 tons of cargo it carried last year, and aims to achieve these targets with fewer staff. The plan for the mid-1980s includes loss of 2,000 jobs of the 57,000 in the corporation.

These changes were planned before the latest round of fuel price rises, and the airline is understood to have revised its *expectations of growth in the* 1980s, but on the assumption that passenger numbers will continue to rise by at least 10 per cent a year.

Dearer fuel cuts demand for big second-hand cars

BY LISA WOOD

Assuming the Jackson-Vanik *DEMAND FOR* large, fuel-thirsty used cars has fallen because of the big fuel price rises, but dealers are confident that this decline is temporary.

They predicted yesterday that the situation would be similar to 1974 when petrol price increases caused a sharp drop in used car sales but the market rapidly recovered.

The dealers do not report any drop in new car sales for the more expensive luxury car, particularly imports, for which there are waiting lists of up to two years.

But there has been a fall in demand for the used, larger family car such as the BL Princess, Austin Maxi and Rover as well as older Daimler, Rolls-Royce, Mercedes-Benz and Jaguar cars.

The publishers of Glass's Guide, a confidential dealers' guide to used car values, said yesterday: "On quite a large number of the bigger used cars there has been a slowing up on sales, coupled with a fall in values."

This turn in the market comes at a time when dealers are eager to sell their used stock in readiness for the large number of trade-in vehicles in August when the new registration suffix appears.

Mr. Dennis Dixon, of Lakefield Motors, Kendal, said: "There has been a setback in second-hand sales but it is temporary. The situation is rather like that experienced by cigarette smokers when cigarettes go up in price. Smokers swear they will give it up, but after six weeks they have forgotten about the increased price."

Mr. John Buxton, sales manager of Maslen Motors, London, said the public was frightened of the petrol consumption of the larger used car, many of which traditionally *were regarded by dealers as* "money in the bank cars," such as Daimlers, Jaguars and older Rolls-Royces. The same happened in 1974, he said, and the market recovered.

Reduced

In an attempt to attract customers, one London car dealer has offered free petrol for a year with second-hand Mercedes-Benz. Another has offered £500 of premium bonds on a similar second-hand purchase. On other forecourts car prices have been slashed.

The fall in prices over the past month is substantial. One dealer has reduced the price of a three-year old Jaguar previously worth about £5,000, by £300.

Dan Perkins (London), which holds franchises for Mercedes and Datsun, is this week advertising free petrol for 12 months with every used Merceeds purchased in July. It also guaranteed the supply of fuel.

Mr. Dan Perkins, managing director, said: "Increasing numbers of people are buying smaller cars and the large ones are becoming more difficult to shift."

He claimed, however, that used car values had not dropped as a new Mercedes, for example had gone up in price by about 10 per cent in the last month with the Value-Added Tax increase and a 2 per cent increase by the manufacturer. He was offering free petrol to assure customers that he was confident that the larger car did not consume an excessive amount of petrol.

The fall in demand has not, however, hit the newer used Mercedes-Benz. In the UK customers can expect to wait up to two years for delivery of a new Mercedes and therefore a used car, up to one year old, is an attractive alternative buy and prices have held.

As far as new car sales are concerned manufacturers are reluctant to predict any trend in buying patterns away from the larger car. But car manufacturers, including BL, report very good sales in June for their smaller cars.

BL's sales of the Mini in June were about 150 per cent up on the same month last year and up by 176 per cent for the Allegro during the same period.

Volvo has record sales

MORE THAN 20,355 Volvo cars were registered in the first six months of 1979, making it the company's best half-year in Britain, Volvo Concessionaires said yesterday.

The sales are a 41 per cent increase over the 1978 first half-year, a period when the total market expanded by 19 per cent.

According to Volvo Concessionaires the 200 series accounted for 14,990 of the sales, a 27 per cent increase on the same period last year, while the 343 range totalled 5,344, an increase of 251 per cent.

Dr. James Maxmin, chief executive of Volvo Concessionaires, said the sales performance of the Volvo 200 series had been outstanding, while the new 343 range had surpassed all expectations.

He attributed the latest success to products were which appropriate to the needs of the market and, backed by an efficient dealer network.

"With their continued support we will achieve our new target of 37,000 registrations for the year," he added.

UK CAR REGISTRATIONS

	June				Six months ended June			
	1979	%	1978	%	1979	%	1978	%
Total UK produced	88,075	44.00	68,530	51.67	459,610	44.56	460,203	52.96
Total imported†	112,097	56.00	64,098	48.33	571,720	55.44	408,752	47.04
Total market	200,172	100.00	132,628	100.00	1,031,330	100.00	868,955	100.00
Ford*	52,874	26.41	37,945	28.61	293,242	28.43	239,118	27.52
BL—Austin Morris	34,648		17,259		168,810		153,154	
Jaguar Rover Triumph	6,997		6,110		42,740		44,055	
Total BL*	41,645	20.80	23,369	17.62	211,550	20.51	197,209	22.71
PSA—Chrysler*	14,200	7.09	9,681	7.30	77,021	7.47	58,715	6.76
Citroen	3,841	1.92	2,905	2.19	19,363	1.88	15,885	1.83
Peugeot	4,320	2.16	2,790	2.10	22,870	2.22	14,127	1.63
Total PSA	22,361	11.17	15,376	11.59	119,254	11.57	88,727	10.22
General Motors— Vauxhall*	12,445		15,868		68,399		75,761	
Opel	3,025		1,992		16,452		10,520	
Other GM	115		56		648		412	
Total GM	15,585	7.79	17,916	13.51	85,499	8.29	86,693	9.97
Datsun	11,158	5.57	7,362	5.55	55,512	5.38	56,993	6.5[illegible]
Renault	10,541	5.27	4,647	3.50	56,641	5.49	36,354	4.18
Fiat	10,448	5.22	6,406	4.83	42,375	4.11	37,298	4.2[illegible]
VW/Audi	10,374	5.18	6,141	4.63	43,424	4.21	32,547	3.7[illegible]

* Includes cars from companies' Continental associates which are not oncluded in the total UK figures
† Includes imports from all sources, including cars from Continental associates of UK companies

Source: Society of Motor Manufacturers and Traders

County faces 30% rate rise

DERBYSHIRE faces rate increases of about 30 per cent next year if it does not reduce spending, County Council leader Mr. Walter Marshall has warned.

Fitness for All week in the City

THE CITY of London's Fitness for All Week started today. Events include daily lunchtime keep fit sessions in front of the Guildhall.

An exhibition is being held in the Old Library at the Guildh'l As part of its contribution, the Corporation of London Health Department is launching a What's Wrong! competition, in which visitors are invited to spot hazards and dangerous practices which could cause office accidents. Prizes are offered for the best three entries.

Whale oil imports may be banned

By Our Consumer Affairs Correspondent

LEATHER GOODS makers may face a Government ban on the use of sperm whale oil for softening leather.

The possible ban on imports of sperm whale oil—worth over £1.5m—follows widespread concern over the future of the species.

About 1,000 whales are needed to supply Britain's leather industry with sperm oil, according to environmental groups concerned at the decline in whale numbers.

The possible banning of the sperm oil could be announced in the next few days or even at today's meeting of the International Whaling Commission. Already, New Zealand and the U.S. have banned the oil.

A rally and demonstration against the killing of whales was held in London's Trafalgar Square yesterday, with Sir Peter Scott and Spike Milligan among the speakers.

Philips Data Systems wins Halifax order

Financial Times Reporter

PHILIPS Data Systems has won a contract worth more than £10m to supply the Halifax Building Society with a new generation of terminals for over 400 UK branch offices.

The order, for Philips PTS 6000 financial terminal system, is one of the largest single orders for computer equipment of this type.

According to the Halifax, the move to cashier automation will improve customer services and improve the detail and speed of branch reporting to management.

The system will replace a back office terminal system installed in 1971. The order includes provision for equipping a substantial number of future new offices.

Petrol prices rocketing. £1·40 next week?

Right now, you could be excused for thinking that the last thing the world needs is a new luxury car.

In which case, we invite you to examine the new Princess 1700HLS and 2000HLS.

They're every inch luxurious, from their sumptuous velour upholstery, rear passenger reading lights and twin-speaker radio, to their smooth, powerful 'O' Series engines and equally smooth Hydragas® suspension.

Yet they're surprisingly inexpensive to run. In urban driving, the Princess 2000HLS with manual gearbox achieves over 27 mpg–which means it's the most economical 2 litre saloon car in town.

At a constant 56 mph you can cover nearly 38 miles on every precious gallon.

Official Department of Energy MPG Figures			
	Imperial MPG		
Manual-gearbox	Urban	56 mph	75 mph
Princess 1700HLS	29.7	58.2	28.4
Princess 2000HLS	27.2	57.7	27.7

Metric equivalents, L/100km. Princess 1700HLS: Urban: 9.5; 90 km/h: 7.4; 120 km/h: 9.9. Princess 2000HLS: Urban: 10.4; 90 km/h: 7.5; 120 km/h: 10.2.

And the figures for the new Princess 1700HLS are even better. Not that the new Princesses are only frugal with fuel. They cost less to run than many cars, even before you start to run them.

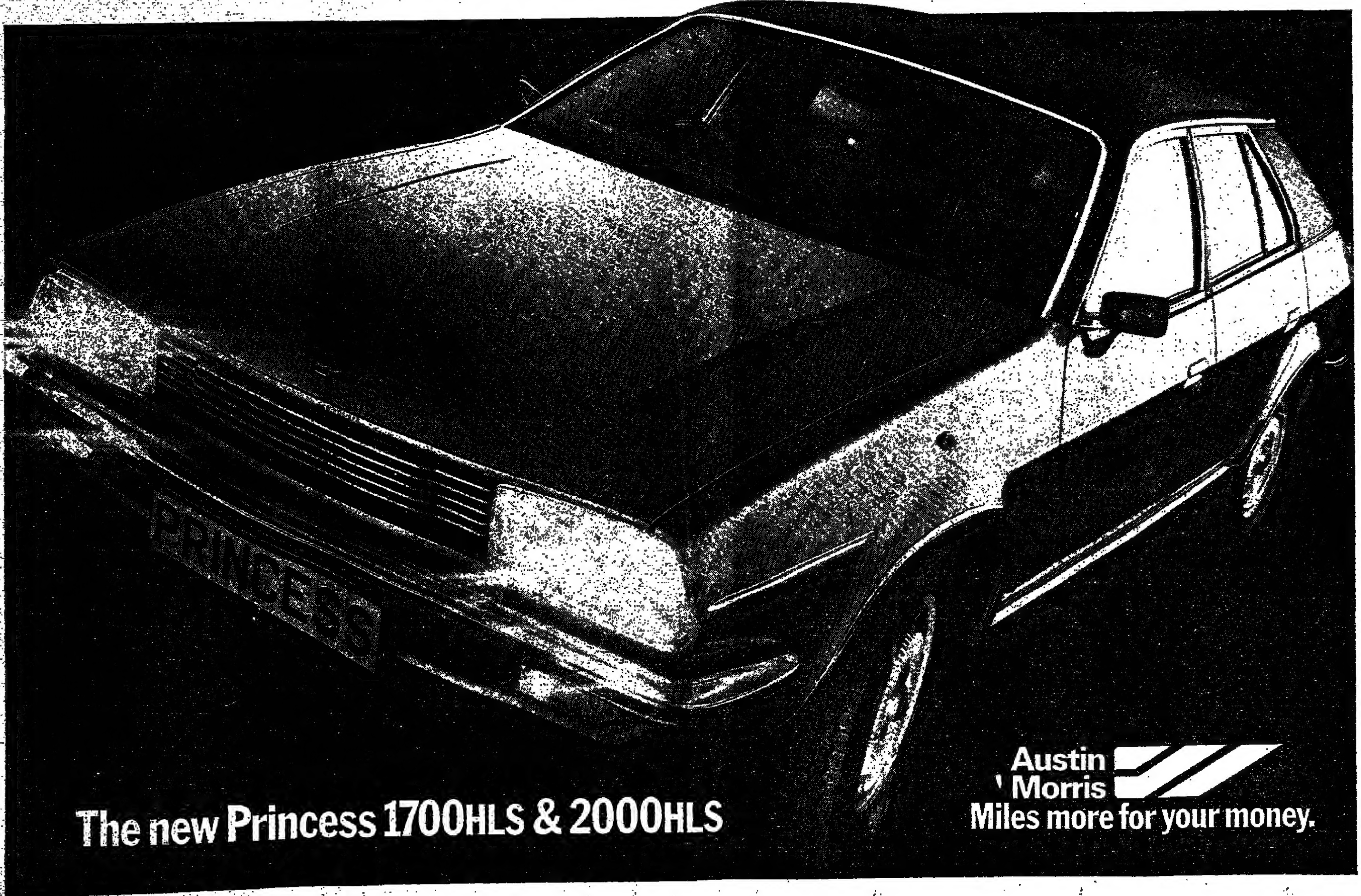
Inexpensive spare parts mean low insurance premiums. And if your company provides you with a Princess 1700HLS, you'll find that it falls conveniently below the critical 1800cc break point for taxable benefits, thus incurring no more tax liability than a 1600cc car.

How can we sum up the new Princess 1700HLS and 2000HLS? Are they luxurious cars that are economical to run–or economical cars offering an unusual degree of luxury?

Either way, isn't it nice to know that you can still arrive in the style to which you're accustomed–without feeling guilty?

®Hydragas is a registered trademark.

There's never been a better time to launch this luxury car.



MOTOR CARS

UK NEWS

Transport Bill likely to boost competition

BY IAN HARGREAVES, TRANSPORT CORRESPONDENT

MOVES TO sell shares in the National Freight Corporation, give bus operators more competition and tighten "drink-and-drive" laws may be brought together in a transport Bill.

Transport Department officials are working on a package of measures reflecting the Conservative Party's transport ideas.

There is no clear timetable for a Bill, but no developments are expected before the summer recess.

The only transport matters likely to emerge before then are naming of members for an inquiry into whether higher maximum lorry weights and a statement on the finances of the Port of London Authority should be adopted.

An interim statement had been expected from a joint British Rail-Transport Department study of railway electrification. This seems likely to be held up until the autumn.

The problem for Mr. Norman Fowler, the Transport Secretary, is that public spending constraints inhibit him from processing the more spectacular items in his Ministerial in-tray.

These include proposals for a rail-only Channel Tunnel and mass electrification of the railways.

The tunnel could prove a sensitive issue, as France has only recently agreed to co-operate in further planning studies.

She previously insisted that such co-operation could be expected only if Britain guaranteed that she would not veto the project, as happened in 1974.

One element in Conservative policy which Mr. Fowler can pursue is sale of shares in the National Freight Corporation. Its executives have been assured that the Government has no intention of proceeding hastily with this matter.

The corporation's financial position, steadily improving in the last three years, suffered a setback from the road haulage strike last winter.

Mr. Robert Lawrence, the NFC chairman, has made clear that he would like two more years before seeking to float shares. NFC made a net profit of £800,000, its first surplus since 1973.

On public transport, Mr. Fowler is keen to alter the route licensing system to make it easier for private-sector carriers to launch bus services, especially in rural areas.

He has been warned by National Bus that any alteration would lead to private carriers creaming off the best urban routes and further depletion in its own rural services.

Drink-and-drive is an area where Mr. Fowler would like action, although he is understood not to favour the random breath test system proposed in the Blennerhasset Report some years ago.

Action depends on successful testing of a new breathalyser device whose results would be regarded as conclusive without the need for blood or urine tests.

Action may be taken on further liberalisation of arrangements for car-sharing, particularly regarding freedom to advertise car-sharing offers.

Rockwell streamlines marketing

By Robert Gibbens in Montreal

ROCKWELL UK, a subsidiary of the U.S. conglomerate, Rockwell International, is to set up a marketing operation which it is claimed, will bring down prices of the company's range of power tools.

Under the new arrangements, Rockwell's distributors, PTS Tool Specialists, of Birmingham, will directly import Rockwell power products from the U.S., and be totally responsible for the sales and marketing operation. The new arrangement takes effect from next Monday.

Mr. Bob Allen, Rockwell's UK power-tool director, said: "The PTS marketing operation will streamline sales and distribution and enable costs of Rockwell tools to be reduced. This will further stimulate sales and we can look to reaching our 15 per cent market-share even earlier than anticipated."

Rockwell entered the UK power-tool market 20 months ago and recently claimed it had gained a 10 per cent share of the domestic power-tool market. Its original target was 15 per cent in three years.

Before the reorganisation Rockwell imported tools to its own UK warehouses, and re-distributed them to its distributors.

Mr. Bob Allen will remain in overall charge of the UK Rockwell power-tool operation.

New effort to exploit abandoned Scots well

BY RAY PERMAN, SCOTTISH CORRESPONDENT

A SMALL British oil company is to make a fresh attempt to find and produce oil from an area near Edinburgh—which was last exploited 15 years ago.

Oil Exploration has applied to the Department of Energy for a production licence covering a 250 square kilometre area in the Esk Valley, East Lothian. It has carried out seismic tests and hopes to be allowed to start drilling later this year.

Crude oil and gas in small quantities were produced there by BP, the Esso subsidiary Anglo-American Oil and the Gas Council in the late 1950s and early 1960s, but the ventures were abandoned as uneconomic.

Oil Exploration believes that it may be able to find larger deposits and, by applying modern production techniques, increase flow rates to make new wells viable.

Mr. Norman Davidson-Kelly, company secretary, said: "We have all the technical data from Esso and BP and we have run our own seismic programme and we reckon we know more about the geology than they did.

"The costs of developing an onshore well are far less than those in the North Sea, so we would only need a relatively small production rate to make it worthwhile."

Oil Exploration's partners are the shipping and construction group Christian Salvesen and Candecca Resources, which has an onshore well in Yorkshire.

The rising price of oil makes onshore prospecting increasingly attractive. Although oil reservoirs in Britain are likely to be very small compared to those under the North Sea, the cost of exploration and production is a fraction of that offshore.

Each well on land costs between £50,000 and £100,000 to drill as opposed to about £3m for a single exploration well in the seabed. Production equipment can be far less elaborate and expensive.

Small wells — known as "strippers" to oilmen—can be profitable on flow rates of as little as 20 barrels a day, whereas it may need five to ten times that to justify an offshore well. Similarly, development times can be far shorter, with production starting perhaps only a few months after oil is found.

All oil and gas rights in the UK are vested in the Crown, so royalties on any oil produced are paid to the Government rather than to the landowner.

Ex-bank chief leaves £45,757

SIR GEORGE RENDEL, former chairman of merchant-bankers Singer and Friedlander, and Ambassador to Belgium 1947-50, who died in May aged 90, left £45,757 gross (£41,421 net) in his will published on Saturday. He lived at Lennox Gardens, Chelsea.

Air services centralisation is criticised

By Robin Reeves, Welsh Correspondent

THE CIVIL Aviation Authority was criticised at the weekend for seeking to centralise air traffic into fewer airports, instead of encouraging the growth of feeder networks from modest airfields around the country.

Dr. Iain Skewis, chief executive of the Development Board for Rural Wales, told a conference on transport and regional growth at Warwick University, that far more extensive, but less sophisticated, air travel facilities, would give a key boost to the economic development of remote regions.

The growth of a network of services, using simple, cheap airfields and small aircraft was being hampered by the centralising policies of the authority, he suggested.

Dr. Skewis contrasted the Highlands and islands of Scotland where air links had made possible day visits to English cities and European capitals, with the North, the West and North-west of Wales, an "aviation desert." The introduction of daily, scheduled air transport would be the single most effective step to encourage industrial development in the region.

Heating cuts

STAFFORDSHIRE County Council, notified by suppliers of 20 per cent cuts in fuel deliveries, are to switch off boilers in schools at 2.30 p.m. Swimming pools will not be heated. The county has 170 oil-burning establishments.

LABOUR

Civil Service technicians resume strikes today

BY PHILIP BASSETT, LABOUR STAFF

CIVIL SERVICE scientists and technicians begin further selective strikes today over pay claims aimed at disrupting power supplies to Service establishments, Ministry of Defence communications and House of Commons facilities.

Some power supplies to the national grid could also be affected by a strike due to begin on Wednesday by staff at the fast breeder nuclear power station at Dounreay, in north Scotland.

Action by members of the Institution of Professional Civil Servants has already affected Naval dockyards, Royal Ordinance factories and a range of other Government scientific, technical and research establishments.

About 100 control engineers in the Defence Ministry and the Property Services Agency will affect power supplies to various service establishments by handing in the certification which allows them to work on high-voltage equipment.

The certificates, issued by the Central Electricity Generating Board, are required to handle equipment used for both the generation and distribution of of the high-voltage power.

Twenty-one staff at the Defence Ministry communications centre in Whitehall will also begin action today. The centre handles the majority of defence traffic, including NATO work, and the union says communications could be severely disrupted.

Engineering staff at the House of Commons who supervise the maintenance of cooking facilities, lifts and air conditioning and other equipment also begin action today.

The union said yesterday that the industrial grade maintenance workers, who are mainly represented by the Amalgamated Union of Engineering Workers, the Electrical and Plumbing Trades Union and the Transport and General Workers Union, had agreed not to work without IPC supervision.

The dispute is over a claim for increases of 36-47 per cent for 40,000 technicians and 10,000 related staff, to which the Government has offered 15.5-24.1 per cent.

Also involved are 20,000 scientists, where the union is claiming that an increase should be linked to this year's administration grade settlement, which averages 25 per cent.

The Government has offered 20-33 per cent, and though negotiations on the technicians' pay are deadlocked, talks are going on between the union and the Civil Service Department on the conditions attached to the scientists' offer which the unions say are unacceptable.

The Defence Ministry said yesterday that the results of the new action could not be estimated until the department had seen how many staff obeyed the strike instructions. If all the communications centre staff came out, though, maintaining operations could be "awkward."

Thirty staff at the Dounreay reactor, which supplies some power to the national grid, have been called out from Wednesday, though the union will continue not to place health and safety at risk by any of its selective actions.

The union said that dockyards were now "very close" to being shut down because of the selective action and overtime bans, though the Defence Ministry said dockyard operations would be maintained.

About 20 staff at Devonport dockyard were sent home last week for refusing to work normally. About 300 IPCS members are now on strike or suspended. They are receiving strike pay from a £1 a week levy of the members and the union's strike fund.

The union's executive committee is meeting today to discuss the effectiveness of its strike campaign. Further action includes half-day regional strikes, with marches and rallies.

The first is set for tomorrow at Southampton, which will include staff from Portsmouth and Salisbury, and the second on Thursday at Leeds, covering York and Sheffield staff. More will be held later.

Steel jobs go after £7m modernisation

By Ray Perman, Scottish Correspondent

THE SEVERITY of the crisis facing British Steel has been underlined by a decision to cut the workforce at one of the corporation's most modern plants by a quarter.

Craigneuk Foundry, near Motherwell, has been losing heavily in spite of a £7.2m modernisation completed last year and a new manning agreement designed to match foreign competition. The foundry is part of British Steel's Sheffield division which made a loss of 25.7m last year.

Unions have been told that Craigneuk has been working at less than half its capacity of 10,000 tonnes a year. About 150 manual workers and 58 staff are likely to be made redundant.

The UK foundry industry, much of it modernised under the Government's ferrous foundry incentive scheme, has been suffering from a slump in orders, affecting the private as well as the public sector.

Hose pipe ban

THE ANGLIAN Water Authority is to introduce a hose pipe ban in East Suffolk from tomorrow.

Another teachers' union gives warning on cuts

THE GOVERNMENT has been given another warning by a teacher union about the effects on schools of its proposed economy measures.

The executive of the third largest union, the 70,000 Assistant Masters and Mistresses Association, passed an emergency resolution yesterday warning that the cuts could only be achieved by cutting back on teacher jobs and other ancillary workers. It said the Government appeared to be thinking of a 7½ per cent cut in Government expenditure.

Central administration took up about 2 per cent of total expenditure, so it was calculated that the major threat would be to jobs.

Mr. Peter Smith, assistant general secretary of the union said yesterday: "Not only will teachers be placed under an impossible strain, but the educational prospects of the children will be under serious threat."

The executive decided to convey its fears to the Prime Minister, Mr. Mark Carlisle, Education Secretary, the Chancellor, and the Environment Secretary.

Mrs. Thatcher, a former Education Secretary, will be asked to consider the need to maintain and improve the education service rather than make further cuts.

● Motions, urging the TUC general council to stage "a vigorous campaign" against the Government's reductions in spending on State education, are to be tabled by the National Union of Teachers at the Trades Union Congress in September.

GEC strikers stay out

THE 1,300 hourly-paid men on unofficial strike over pay at the English Electric GEC light engineering works in Liverpool say they are prepared to stay out until the factory closes for the summer holiday in a fortnight.

Pickets have remained posted throughout the weekend outside the switch and fuse gear plant. The men walked out on Thursday night after unanimously rejecting a management pay offer of 8.3 per cent, with fringe benefits.

The men are claiming an increase of nearly 15 per cent, saying it is the going rate in the industry. No talks have so far been planned between the management and representatives of the four trade unions involved.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● METALWORKING

New range of milling and boring machines

NEW MILLING and boring machines by Induma are available in three sizes with 15, 20 and 25 hp main spindle drives.

These machines have been designed to be produced in volume to give a low cost and are marketed in the UK by RK International Machine Tools of Erith, Kent.

All machines have the same layout that is, bed with X axis travel, column with vertical Y axis travel and a saddle on the column for Z axis. The smallest version, the MBM 15, has 1,250 mm of longitudinal travel. This increases to 1,500 mm on the MBM 20 and 2,000 mm on the MBM 25. The corresponding figures for Z axis are 700, 800 and 900 mm.

All machines have a 1,000 mm vertical (Y axis) travel. The main spindle has an ISO 50 taper and there are 18 spindle speeds in the range 28 to 1,400 rpm. For rigid horizontal milling, the headstock is fitted with an overarm to carry arbour supports.

All axes can be fitted with recirculating ballscrews and dc feed motors which provide infinitely variable feed rates in the range 10 to 2,000 mm/min. Rapid traverse rate is 3,000 mm/min.

This feed system makes the machines particularly suited to the fitting of additional electronic controls such as electronic copying or numerical control.

When the Philips 6668 CNC system is fitted, all the controls are incorporated into a special pendant which includes a keyboard for editing and manual data input.

Accessories available with all the MBM series include double spindle head (one horizontal, one vertical), universal swivelling head, power draw bar and hydraulic clamping on all axes.

RK International, Europa Trading Estate, Fraser Road, Erith, Kent. Erith 47611.

● COMPONENTS

Devised for danger zones

A DIAPHRAGM-operated air pressure receiver switch, has been devised by Delta Controls for use in pneumatic control systems in hazardous areas at Sterling Organics's Dudley, Northumberland, plant.

It has been called the Type 262 and has a range of 0.2-1.0 Bar. It was designed to Sterling Organics's specification for use as an interfacing device between normal process control signals at 3-15 psi to direct switch power logic systems operating at 80 psi.

Sterling Organics has about three dozen of the Delta switches working with the extensive pneumatic instrumentation and process control equipment throughout the plant, which produces fine organic chemicals.

The device has an adjustable primary sensing range that actuates a three-way line valve. This can be supplied as either "normally closed" or "normally open." The unit's diaphram is controlled by an adjustable spring with approximate settings indicated.

Motion is transferred through the control nut and dust seal to the valve which opens — or closes — as the pressure rises above the set point. It automatically resets when the pressure falls.

The unit is constructed of zinc plated mild steel, with a nylon reinforced nitrile diaphragm and a brass and stainless steel assembly. Full technical information is available from Delta Controls at 145 London Road, Kingston-upon-Thames. (01-549 3451).

● INSTRUMENTS

Laser has many roles

CARBON DIOXIDE lasers and accessories — the CM Series — are being introduced to meet the emerging needs of systems designers in this field.

First product in this Ferranti range is the Type CM1000 21 Watt waveguide unit.

Waveguide lasers offer distinct advantages over their conventional counterparts with compact rugged construction, giving a highly stable continuous wave output, a tunable output frequency range, and an operational life before refill of typically 500 hours.

Available with an optional cavity length transducer capable of tuning the laser frequency through one complete spectral range, the Ferranti CM1000 waveguide laser has a choice of two power supply units. One is a standard rack mounting with a cooler, and the other a compact ruggedised modular unit constructed to full military specifications.

Applications for the CM1000 laser are varied, with uses in such military and civil fields as rangefinding, communications, velocimetry, infra-red beacons and scanners, welding and drilling of plastics, spectroscopy, general laboratory use, engraving wood and plastics, fusing of optical fibres, and laser surgery.

Ferranti, Dunsinane Avenue, Dundee DD2 3PN. 0382 8939.

● SERVICES

Speeds the information

SERVICE for international traders and brokers launched by CMG Computer Management Group is expected to be used by many groups dealing in a variety of commodities.

Developed by CMG Southern in Croydon, the INTACT service will enable traders more accurately and rapidly to monitor contract commitments and to provide all the associated accounting requirements.

INTACT (International Trading and Accounting System) has visual display terminals in the traders' offices to give immediate access to accurate and up-to-date information on all outstanding commitments.

Each trading company using the service will have its own confidential file set up on the computer systems which is run on twin Burroughs B3800 computers at CMG's Croydon data centre.

INTACT will enable immediate entry of information on contracts, shippers, buyers and suppliers covering details such as trade accounts, bills of exchange, invoices, credit and debit notes etc. Instant inquiries can be made concerning a contract, commitments to buyers and suppliers and contract expiry dates.

Other information immediately available includes the state of trading accounts and the total sterling value of contracts in order that credit limits set by Export Guarantee Departments are not exceeded.

A range of other reports and analyses can be produced by INTACT including: day books, sales statements, remittance advices, commitment lists showing debtors and creditors, VAT analysis, nominal ledger, trading analysis, and stock accounting.

C. M. G. Southern, Sunley House, Bedford Park, Croydon, CR0 2AP. 01-686 8281.

● PROCESSING

Makes connection easier

CONNECTING solid aluminium cables into terminal boxes and other confined spaces has been simplified following the introduction of equipment which forms terminal ends by Mercia Engineering, one of the Redman-Heenan International group of companies.

Although such cables have been in use for a number of years, difficulties are still being experienced in manipulating them into, and subsequently connecting them up within the limited space available in terminal boxes originally designed for copper cables.

With the Mercia system, which was developed with the Central Electricity Research Laboratories, the terminal ends of the cables are first flattened to controlled thickness and then pierced to accept the clamp bolt in a hand-held hydraulically-operated press.

Cables, as a consequence, can be bolted directly into terminal boxes without recourse to crimped-on lugs, the method used hitherto and one that, due to the length and stiffness of the lugs, adds to the difficulties of making connections.

This new technique has been fully approved both electrically and mechanically by CEGB which is now using the system on current power-station contracts.

Mercia Engineering Co., West Avenue, Wigston, Leicester, LE8 2FG. Leicester (0533) 881404.

Pumps for food industry

DESIGNED TO operate at low speeds to ensure gentle handling of liquids with a minimum of shear is the Fristam FK range of rotary positive pumps, introduced to the UK by Alpha Technical Services, Altec House, Brigade Close, Harrow, Middx. (01-422 3400).

Pumps are made of high grade stainless steel with nickel alloy rotors and are capable of handling high viscosity fluids with smooth flow and precise accuracy.

Capacities are to 50,000 litres per hour.

Range is said to be of hygienic quick-dismantling design and can be sealed to suit most applications in the food, dairy, toiletry and chemical industries.

● AUTOMATION

Simplified control of multiple lifts

NOTHING IS more frustrating than to stand waiting for one of several lifts at a landing only to find that, like the legendary No. 11 buses in London, they are moving in convoy and happen to be as far away from one as they can get.

But lift systems can be and are tailored to meet conditions of "people traffic" in the buildings in which they are installed. The snag is that with the traditional electrical relay controllers, any change in occupancy, or even a staff redistribution can entail a lengthy redesign of the controllers and protracted sessions by the lift engineers with festoons of wiring.

The criterion for successful control of a lift system is average waiting time, which is a quite complex value to determine since if a computer is used to check the older installation, several hundred connections must be made to existing control wires before any meaningful measurements can take place.

Once the pattern of operations has been captured, however, it is a matter for the analytical specialists using graphical techniques to compress a mass of detail into easily read diagrams.

At Express Lift Company in Northampton, work like this, carried out over the past four to five years, has enabled the company to make a major advance in control techniques, both in the area of controller design and in the way a control system is specified.

The designers and the company management are not claiming a breakthrough, but they are quietly confident that the way in which they have used microelectronics to standardise control board design and make alterations to control programes simple, even for the most complex and fastest of lift systems, gives them a lead of between 12 and 18 months over any opposition.

All a lift engineer has to do when a programme changes is to replace the memory device holding the earlier programme with a reprogrammed unit. All he has to do if a fault develops on a board is to slide in a new one—and the experimental units which have been under test for a considerable time are showing reliabilities of a very high order.

One extremely important consequence of this approach is that tailoring a lift system to a given building is no longer a protracted manufacturing procedure. The lift engineers specify the controller as they did before in "lift language" and the computer specialists turn this directly into a control programme. But the installation to suit this building, or the one next door will be identical, except for a tiny component which will have the programme "burned" into it, and the number of control cards which corresponds to the number of lifts. It is a simple matter to stop multiple lifts from "hunting" or to instruct them to return to landings with the heaviest traffic, etc., etc.

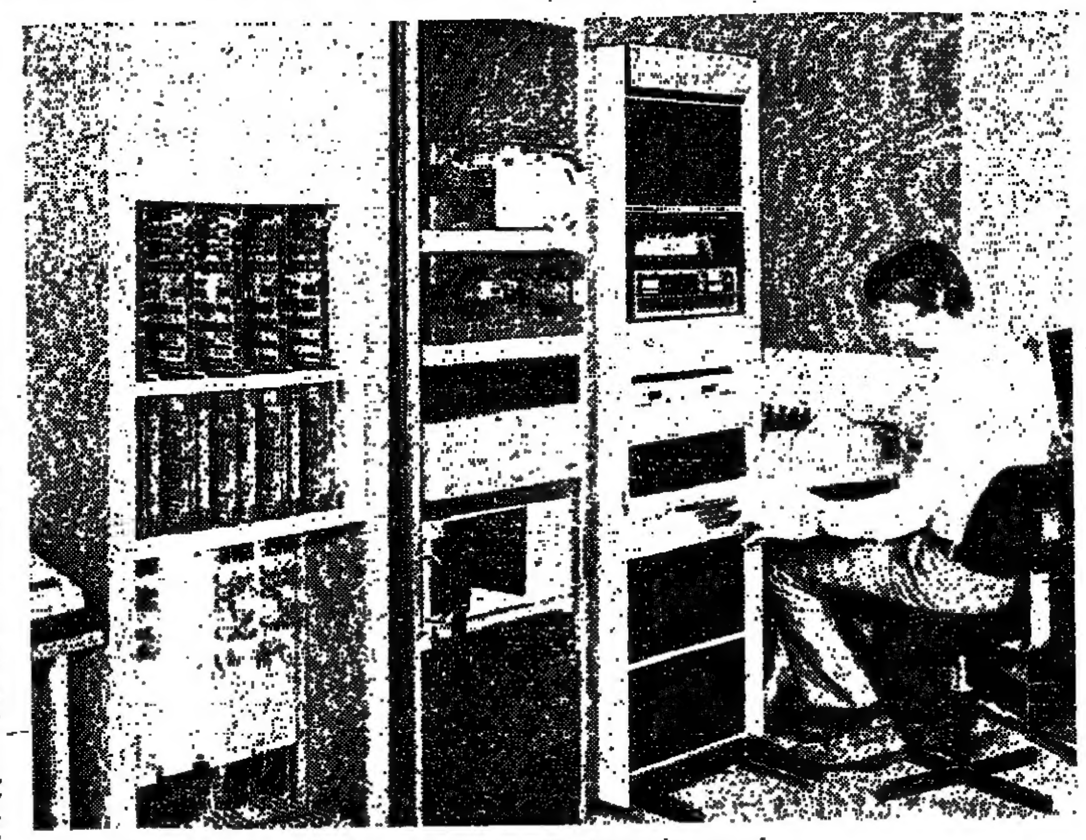
The Express Traffic Processor control system as it now stands is capable of providing fully automatic optimised control for up to eight interconnected lifts of the medium-speed geared or high-speed gearless types. Complete control equipment for the eight lifts goes into a single cabinet taking up, say, one-tenth of the floor space needed by the relay-based equivalent.

With it, diagnostics, or traffic pattern analysis, by a control computer become simply a matter of plugging in one connection and there is no reason why this should not be done between Northampton and any site over a telephone link.

This is a first major step towards a complete streamlining of lift control systems. A further one is likely to be in the control of the motors themselves.

Express is a member of the GEC group and GEC's Hirst Research Centre co-operated in the development of the special language used quickly to modify control operations.

Express Lift Company, Abbey Works, Weeden Road, Northampton NN5 5BT. 0604 51221.



▲ The new, compact controller is in the cabinet on the left. It is a four-lift unit with, on its right, the process control machine which is monitoring its reactions to simulated building traffic. Next to this is the scientific machine which is used to manipulate programmes to suit demand patterns. This centre at Northampton could be used to test, remotely, installations in the UK, using an appropriately switched telephone line as the link. It would, in fact, be possible to take control of a lift system from this laboratory.

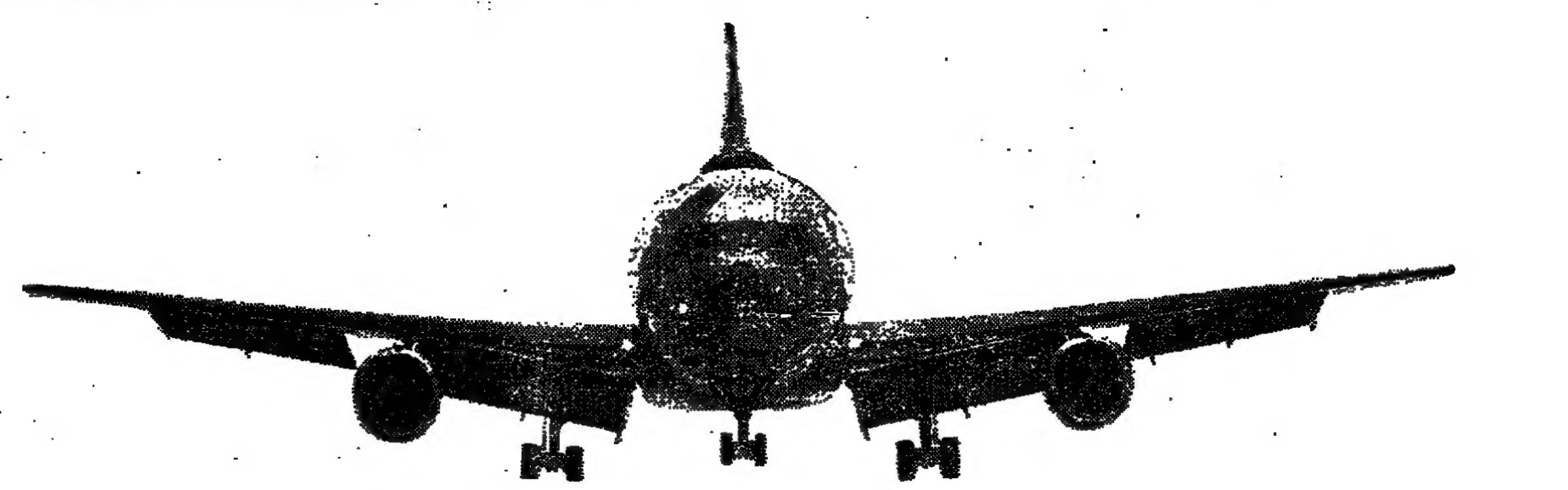
● RESEARCH

Study of energy use at school

IN ORDER to assess the value of its energy-conserving design, a new school to be built in Walmley—the Church of England's Sutton Coldfield Deanery First and Middle Schools—will be monitored for four years by the Birmingham School of Architecture, which is responsible for the research in co-operation with the Diocesan Education Council, Education Dept., Architect's Dept., and West Midland Gas Board.

Architects have tried to embody some of the best aspects of both open and closed planning of different areas in accordance with current educationist thinking, and their prime aim has been to achieve a small-scale character which will not overawe the children.

Design of the project is by Birmingham architect, John P. Osborne and Son, and it is to be built by Turriff Construction under a contract valued at about £650,000.



Building and Civil Engineering

£70m factory in Algeria

IN JOINT venture with Heilmann and Littman of West Germany, Bos Kalis Westminster Construction B.V. of Dordrecht, Holland, has won a £70m contract for the construction of a factory in Ain Smara, Algeria. The factory is to be used by Ingersoll Rand for the production of air compressors.

Included in the contract is the construction of a training centre and a village. Awarded by the Algerian state organisation Sonacome, the contract is due for completion in just under 2½ years.

Delta GmbH, the West German subsidiary of the Royal Bos Kalis Westminster Group, has received an order to construct a barrage at Krotzenburg on the River Main. Interfon, the Group's piling company will undertake pile driving work for this £13m contract, which will also be carried out in joint venture with Heilmann and Littmann. This contract is to be completed in 3 years.

Bos Kalis Westminster Construction which was formed at the end of 1978 by an amalgamation of Group subsidiaries Dirk Verstoep and IGB, says it has also been awarded work in the Netherlands valued at *£11m. The projects include construction* of the Oncological Institute in Tilburg, a laboratory in Nieuwegein, housing in Breda and schools in Hoorn, Groningen, Elburg and Harmelen.

Awards to J. M. Jones

INCLUDED IN new contracts for J. M. Jones and Sons, of Maidenhead, are seven projects for its associate company, Markham Development.

These include factories and warehousing at Bexley, Kent, £1.1m; industrial development at Reading, £1.03m; industrial unit at Boreham Wood, £400,000; industrial developments in Bridgewater and Bristol, £900,000. Markham has also placed work with the company for roads and services in Reading at about £½m.

Under a contract for £2.048m, for the Buckinghamshire Education Committee, the company will build an extension to the College of Further Education.

Other work includes lecture and bedroom blocks for the Institute of Marketing, at Cookham, Berkshire, worth £1.3m, and offices and shops at £619,000 in Reading, for Samuel Properties Developments.

£2m contracts for Bryant

TWO CONTRACTS, together worth £2.2m, have been won by C. Bryant Civil Engineering, the major one being for site grading, roads and drainage to Solihull Industrial Estate, a 50-acre industrial development. Client is Bryant-Samuel Properties, owned jointly by Bryant Holdings and Samuel Properties and the architect Peter Hing and Jones.

The other contract, worth £448,600, is from West Midlands County Council for the extension of Birmingham's Middle Ring Road. This comprises 400 metres in dual carriageway bridging the River Rea and extending to Hick Street. The works join on to an earlier section also built by the company. G. Maunsell and Partners are the consulting engineers.

New telephone exchange

SCOTTISH Telecommunications Board, through the Property Services Agency, has awarded the contract for a new telephone exchange at Stirling to Gilbert Ash Scotland. This is being run on a Design Build basis and is valued at just under £1m.

The new exchange will increase telephone facilities for the Stirling area. Building will be of concrete columns and brick construction and will also contain welfare facilities for Post Office staff.

Company has also won a contract for an extension to Lesmahagow High School for Strathclyde Regional Council, valued at over £1.25m.

Rebuilding at army camp

THE PHASED demolition and rebuilding of the No. 18 Command Workshop REME, Bovington Camp, Dorset, is the subject of a £4.8m award to Cementation Construction by the Property Services Agency.

Work includes demolition of 50 existing buildings, the erection of a new steel-framed workshop 160 x 80 metres, with overhead electric travelling crane, roller shutter doors, concrete floors and underfloor heating. Other work includes construction of a new boiler house, small-arms firing range, and five ancillary buildings.

Latter buildings will include a two-storey brick and concrete office block and single-storey annexe for toilets, locker room, *first-aid centre and a trade* training workshop.

£4m awards to Sir R. McAlpine

OFFICE BLOCKS in Leeds, and a bus station and railway interchange at Gateshead, constitute £4m worth of work awarded to Sir Robert McAlpine and Sons.

Gateshead contract is worth more than £1m and covers part of the Tyne and Wear Metro system. It calls for a concourse entrance building, subways, shelters, roadworks and landscaping.

Demolition starts in Leeds city centre on nos. 6-8 and 13-15 East Parade, prior to the construction of two office blocks for Abacus Developments, with an aggregate contract worth £3m. Existing facade of nos. 13-15 is to be retained and built in to the new structures which will be reinforced concrete framed buildings, brick clad with mansard roofs.

£11m Kyle Stewart award

A START has been made on the £11m second phase of a research facility for Smith Kline and French Laboratories at Welwyn, Herts.

Work has already been started on the project which covers 235,000 sq ft of laboratories, offices, canteen and welfare facilities and library.

When this part is completed in October, 1981, the whole facility, all designed by Kyle Stewart, will cover about 350,000 sq ft.

The latest phase comprises a reinforced concrete, fully air-conditioned four-storey block, linked to the phase one construction and to existing buildings, which are to be refurnished as part of the total scheme.

£4m housing in Abu Dhabi

THE John Laing Group associate company, Al Naboodah Laing, has been awarded a £4m contract to build 200 houses for the Office of Diwan of the Ruler's Representative of the Eastern Province of the Emirate of Abu Dhabi. Completion is due in 18 months.

The houses will occupy two sites of 100 each—one site is 6 km south of Al Ain and the other 30 km to the east of the town. Construction will consist of in situ concrete and blockwork infill panels, with the majority of the houses having a Tyrolean render external finish. The architects are Conser of Lebanon and Abu Dhabi.

Rail track work

CONSTRUCTION OF trackwork in the central area of Tyne and Wear Metro started last month under a £1.5m contract awarded to Balfour Beatty Construction.

Work comprises some 3,709 metres of trackwork on pre-cast sleepers in ballast; 4,458 metres of trackwork on concrete block sleepers cast into a continuous slab; two scissors crossovers; four crossovers, and provision for associated drainage and signalling equipment.

Work rolls into Wimpey

OVER £11m worth of contracts have just been awarded to Wimpey.

For General Motors, the company is to build a warehouse at Milton Keynes, Bucks. This £6½m contract calls for a building with receiving and shipping bays covering 42,150 square metres and offering a clear height of 9 metres. Within the end bay will be a two-storey service block and cafeteria. Architects are Howard Fairbairn and Partners.

A second award to Wimpey is a management contract for a development for IBM United Kingdom at North Harbour, Portsmouth designed by Arup Associates.

This project, the fourth phase of the site development, covers a complex of buildings totalling about 33,190 square metres, housing the new main entrance, administrative offices, computer suites and cafeteria together with other central amenities serving the whole of the IBM North Harbour site.

The complex of buildings is made up of four stepped blocks linked together by a three-storey glazed pedestrian arcade or "street," which also joins the existing buildings. Three of the blocks are three storeys high, and one four storeys high—the cafeteria facilities form the ground level of this fourth block.

All buildings will be on piled foundations on this site which is land reclaimed from the sea. Generally, the ground floor is to be of proprietary precast concrete construction at a raised level to create a services undercroft which also contains pile caps.

Overseas, the company's subsidiary, Wimpey Offshore Construction Company Inc., has been awarded jointly by the Government of the Yemen Arab Republic and the Netherlands a £4.7m contract for the construction of the Dhamar health complex in the Yemen Arab Republic.

The complex will be a single-storey building linked with a centrally situated technical services building, the whole covering 7,800 sq metres. The main part of the complex will include operating and casualty facilities, laundries, kitchens and ancillary services.

The architect is Van de Stoep BV—Architecture and Planning, of Rotterdam.

Jobs for Monk in south-west

CONTRACTS WORTH £2.1m, to be supervised from its regional office at Taunton, Somerset, have been won by A. Monk and Co.

Largest job is for Welsh Development Agency at Ebbw Vale for a £1.8m single storey factory extension for Alfred Teves on the Waun-y-Pound industrial estate, plus a two *storey office block.*

At Avonmouth, the company is to carry out civil engineering work connected with a proposed new copper dross plant for Commonwealth Smelting. Project is valued at £328,000 and involves the construction of various substructures, bases, bund walls and general foundations to separate buildings, settling and storage areas and other external structures.

£1m worth to Waller

PROJECTS worth about £1m are to be undertaken by George Waller (Warwick).

The largest, valued at £299,000, is 24 dwellings for the Metropolitan Borough of Solihull. Another, worth £191,000, for the Hereford and Worcester County Council, covers extensions for Wallace House, Evesham.

Waller has also been commissioned by High-Point Project Management to build a warehouse, value £104,500, in Cardigan Street, Birmingham (architect: J. Farquhar Assoc.), and to *build a church meeting* hall with flat over at the Parish Church, Aston, Birmingham, at a cost of £161,600 (architect: K. C. White and Partners).

Other new awards include the refurbishing and extension of Nash House, Park Village East, London NW1, value £90,000 (architects: G. R. Stone and Partners); building five almshouses in Warwick, worth £78,631, for Warwick United Charity (architects: Donald A. James and Partners) and carrying out eight house modernisations for Warwick DC at a cost of £53,893 (architects: Harley-Smith, Steel and Breeze.

Study of sanitation

MINISTRY OF Housing, Land and Urban Development in Dar-es-Salaam has signed an agreement with Howard Humphreys and Partners for the consulting engineers to carry out a World Bank funded master plan and feasibility study of the sewerage and low cost sanitation situation in greater Dar-es-Salaam.

Worth £½m to Howard Humphreys, the study will detail a least-cost first stage programme of sewerage and low cost sanitation improvements to be implemented during the period 1980 to 1984.

Report will not only include *technical, economical* and financial studies of this first stage programme, but will also make recommendations for the development of administrative, technical, commercial and financial capabilities in the agency identified as being the administrative and operational unit for Dar-as-Salaam sewerage. For this aspect of the work the firm has the assistance of the management consultancy of Peat Marwick Mitchell and Co. of London.

Refuse handling plants

TWO FURTHER contracts for refuse handling plants have been won by Bovis Civil Engineering, who built the Brentford refuse transfer station, winner of last year's Financial Times Industrial Architecture Award.

In Bradford, the company will build a £1.45m refuse baling plant for the West Yorkshire Metropolitan District Council. This includes a 3,000 square metre, single storey, steel framed building to house a conveyor system and refuse baling equipment. Additionally, there will be a weighbridge, amenity block, hard standing area, piled foundations and site drainage.

Second contract is for a £366,000 refuse transfer station at Midsomer Norton, Avon, and comprises a steel-framed refuse reception building of 430 square metres together with administration offices, pump house, access roads, hard standing and civic amenity areas.

North Sea diving contract

IN JUST two years' operation Global Diving Services of Aberdeen claims to have become one of Britain's fastest-growing diving contractors specialising in international oilfield construction, maintenance and inspection operations from bases in Aberdeen, Great Yarmouth, Cairo and Dublin.

One of the most fiercely contested North Sea diving contracts, awarded by Occidental Petroleum Caledonia, has been won by the company which, with options, will extend to the end of 1981, and is believed to be worth about £2.5m a year.

Contract is for the provision of saturation diving services aboard the MV Northern Explorer, and aboard Occidental's new multi-function support vessel, MSV Tharos, currently under construction in Japan for the Piper and Claymore fields.

Additionally, the contract will include the diving programme for annual inspection of the jetties, pipelines, and single-buoy moorings at Occidental's Flotta terminal.

IN BRIEF

- For £650,000 Costain is to extend office facilities in Braunstone, Leicester, to be used by B.S.C. Footwear Supplies. An additional two floors will go on the existing three-storey operations centre and a two-storey link bridge will connect this to the main office building.
- Selleck Nicholls Williams (EEC) has been awarded a contract worth £659,736 by the Cornwall Independent Hos*pitals Trust for the construc*tion of a 25-bed private hospital at Truro.
- S. W. Farmer Group says it has won contracts in the Middle East totalling £1.4m. One is for a glass container production plant in Cairo and the other for a printing works in Jeddah, Saudi Arabia.
- The John Willmott Group has been awarded a £655,000 contract by the Trustees of the Bedford Centre to build a sports complex at Bedford School.

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Tax system at fault, say Wilson critics

THE PROVIDERS of development capital are not excessively strict in their lending requirements to small companies—so say the providers themselves, in reply to the Wilson Committee's interim report on the financing of small firms. They argue that it is the tax system which is at fault, and that it should be made to discriminate in favour of the small private investor.

Nine development capital organisations—including ICFC (the Industrial and Commercial Finance Corporation) and the State-backed NRDC (National Research Development Corporation)—argue that the committee should really have divided the problems of financing the small firms sector into two groups.

The problem, they say, is both quantitative and qualitative. First: Is money available in sufficient volume? And second: Are the qualitative tests for applicants too severe?

The nine bodies argue that the evidence from all types of institution is that the qualitative tests, as applied at present, are not too severe. They must, they insist, be reasonably prudent in their handling of "what is in fact other people's money." They must also obtain the best return available from other forms of investment, taking into account the comparative risks.

If the Wilson Committee (which is reviewing the functioning of the City's financial institutions) had examined these two points separately, say the bankers, then it would have led them to highlight the following question: "Is it in the public interest that small firms which are unable to meet the qualitative requirements of the financial market should nevertheless be supported?"

Before answering that question, say the bankers, it is necessary to emphasise the uncertainty involved in predicting which companies will succeed or fail—particularly so with small companies.

"We accept that if it is considered to be in the public interest that the population of small firms should be larger, it is necessary that what appears to be 'medium fliers' will have to be supported, as well as the 'high fliers' which alone at present qualify easily for support." But the price of this would be a higher rate of wastage, argue the nine.

This, in turn, would create an additional cost from the investments which did not succeed say the bankers, adding: "We note that the committee is silent on how the cost of this wastage . . . is to be borne."

They point out that the cost of failure will have to be borne either by the State — either directly through "unfruitful" grants, or indirectly through tax set-offs to the other parties involved—financial institutions, private investors, and trade creditors.

"We believe that providing help to the private investor is the key to the problem. We note with regret that the Committee has side-stepped this issue on the grounds that nothing will be achieved without political will and commitment by the Government of the day."

If small investors are to be encouraged to risk their money and provide support, then the tax system should aim to shorten, not lengthen the odds, say the bankers.

Max Wilkinson on a U.S. electronics group with an unusual talent for survival in markets where others have failed

Commodore calculates the risks of living dangerously

COMMODORE Business Machines is a company which inspires a certain feeling of vertigo. Unlike many of its Californian neighbours, it has managed to balance for the past decade on a high wire of micro-electronics technology over some notoriously unstable markets, including those of electronic watches and calculators. Yet it is much older than most of them, having started its life 25 years ago in the very traditional market for mechanical office machines. It is one of the few companies in the world successfully to accomplish this difficult transition.

To keep the company aloft in the 1970s, while many bigger rivals were crashing out of the business, Commodore's President Jack Tramiel, has needed remarkably steady nerves and an ability not to look down too often.

He has also needed to show exceptionally fast footwork to survive the continual risk of being stuck with obsolete products and to avoid being caught by the giddy fall in margins.

His creation is an example of the type of fast-moving entrepreneurial company which Britain's Government has professed itself anxious to encourage, and of which the UK is conspicuously short in the electronics field.

Shake-out

Commodore was one of the first companies into the booming market for hand held calculators and later digital watches. Now after a major shake-out, it is one of the few companies to have survived in the business. Even large groups like Rockwell, and specialised semiconductor companies including Fairchild and National Semiconductor, have wholly or partly withdrawn from this particular race.

In the UK, Sinclair, which like Commodore, entered the market at the beginning of the boom, has—even with Government subsidy—been driven into a small corner and looks unlikely to stay in the calculator market for long.

Indeed, Commodore took a nearly disastrous fall in 1975, when almost all companies made heavy losses from hand held calculators. It reported an overall pretax loss of $5m on total sales of $55.8m and its loss from calculators was probably about $7m.

But last year it recovered impressively with a pre-tax profit of $5.2m, although sales at $50m were hardly bigger than those in 1974. Even in the last two years, however, the company has made some major shifts in its product range and in the geographical distribution of its markets. And it has made the changes with the quick footedness and balance which is essential for survival in this extremely risky business.

The most visible sign of this change in the high street is the Commodore PET, a personal computer which sells in its basic form for £500, a price which would have seemed astonishing even five years ago. Commodore was one of the first companies to sell a personal computer outside the hobby market, and it has gained almost a two-year lead over a competing system which is being offered later this year by Texas Instruments.

The PET, originally conceived mainly as a consumer item, has in fact achieved most of its success among small businessmen, professionals and academics. It has therefore been able to bounce a large part of the company out of the precarious consumer market into the competitive but much more stable market for small business systems.

The Systems division of the company, which includes the PET and the successful KIM series of microcomputer boards, grew from virtually nothing during last year to sales of $12.2m with profits of $2.6m. Without this diversification, a 40 per cent fall in sales of consumer products from $32.8m in 1977 to $19.4m in 1978 would have been much more severely felt by the company.

A change of at least equal importance is the way in which Commodore has succeeded in the policy which it drew up in 1975 to become more vertically integrated. By acquisition and expansion, it has become an important manufacturer of semiconductor components and a leading manufacturer of liquid crystal calculator displays.

This decision undoubtedly helped the company to survive the general fall in prices.

Another plank of Commodore's expansion was greatly to boost its marketing efforts in Europe. The respectable market share achieved in Europe, particularly in the UK, helped Commodore to survive the lean years of the U.S. market.

For some years Commodore had a sizeable manufacturing operation in Britain, but this has been gradually cut back in favour of U.S. and Far East production. Last week it said its factory was to be closed.

Mr. Tramiel says his Polish origin gave him an advantage in Europe because it enabled him to understand the different ways of doing business: "Europeans expect to stay with a contract, where Americans would ask for a rebate if market conditions change."

Gimmick

Recently he has taken vertical integration one step further with a move into retailing, through a few specialist electronics stores on the west coast of the U.S.

In the watch and calculator market, Commodore appears still to be up among the innovators, with alarm watches and programmable calculators at competitive prices, although it may be that the Japanese have an edge in certain sectors of the market, particularly that for gimmicky calculators and multi-function watches. But a period of relative price stability seems likely to give Commodore and the other companies a certain breathing space.

Commodore's inception in 1954 owed much to a meeting between Jack Tramiel and Erich Markus, head of Office Electronic Machines, the UK's leading distributor of typewriters.

At that time Mr. Tramiel had started in a small way repairing office machines. Mr. Markus introduced him to many different manufacturers in the business. "He was my first business teacher," he says.

Partly as a result of this friendship, Mr. Tramiel got into the typewriter assembly business with a loan of $175,000 and a licence from Czechoslovakia. By 1959, he had become agent for the Quick electro-mechanical adding machine, later starting the assembly of adding machines, first in Berlin and then in Japan.

It was through this venture that he got to know the Japanese calculator company Casio. By the early 1970s he was distributing Casio electronic calculators.

But by 1973, Casio showed signs of wanting to buy him up, so Commodore took the crucial decision of concentrating on calculators of its own, assembled from bought-in components.

Then in 1975, it found that to rely on other people's components was dangerous. As demand surged for the new cheap machines, supplies of components became difficult.

"I saw that semiconductor chips were the key to everything in this market, but I could not afford to build a plant to make them for $15m to $20m," Mr. Tramiel says.

However, by waiting for a downturn in the industry, he was able to buy a small semiconductor company, MOS Technology, for $800,000, which he regarded as a bargain. This acquisition, together with the purchase of Optical Diodes, a maker of light emitting diode calculator displays, gave Commodore the main ingredients for manufacture of its own products.

It was also in MOS Technology that Commodore found the research project which was to form the basis of the PET home computer system.

Commodore's 25-year existence has thus spanned a major technological revolution in office products.

It is clear that one of the reasons for the company's sucess is that Mr. Tramiel has shown a highly agile sense of the moods of the market, developed from his earlier years in the business.

He says he was able to survive in consumer electronics where Fairchild and other giants failed because he was able to price his products according to what the market would bear and at the same time anticipate the rapid reductions of cost arising from the improvements in technology.

Now the company is large enough to push out its development roots in many different directions. Electronic language translators, telephone peripherals and video games are among the nodes of expected growth.

Mr. Tramiel believes he can keep ahead of much larger companies like Texas Instruments by fostering small semi-independent research groups in different parts of the U.S., each working on a different product. Many of these groups are based in universities and work under contract for Commodore.

Hugh Routledge

Commodore's PET personal computer in operation

Cattle ranch

Engineers work better in this atmosphere than in the "cattle ranch" conditions of the research and development centres of the big corporations, he believes. "We are expecting to bring out a new microprocessor-based product every three months," he says.

A great deal will depend on whether the company can maintain its position in the personal computer market in the face of growing competition from larger well established electronics companies.

In the last two years the main competitiors in this field have been Tandy and Apple, two comparatively small companies which have grown rapidly as a result of the hobby market in the U.S.

This summer, however, Texas Instruments, the world's largest semiconductor company announced that it was introducing a computer specifically aimed at the consumer market.

In the business market Wang has been moving towards the very small systems, while companies like Olivetti are expanding their office calculator ranges to merge into the computer market.

How Commodore will react to these new pressures remains to be seen, but it does have the advantage of previous experience in the office equipment world.

Certainly the company is showing all the signs of having settled down into a period of high and sustained growth, with the latest results—for the third quarter of the current year—showing a particularly impressive trend.

Sales in the three-month period were up 58 per cent, and earnings 78 per cent. Sales for the first nine months showed a steadier growth compared with the previous year's figures of 15 per cent, but earnings for the period jumped by an impressive 79 per cent.

Of course, as Commodore's history shows, there can be no guarantee that the high growth of a high technology company will be sustained. But the strains of vertical integration are now largely over, and the product base of the company is broadening rapidly, so the outlook ought to be good. A betting man might give favourable odds that Mr. Tramiel will stay on the high wire for quite a few years.

Management abstracts

These summaries are condensed from the journals of abstracts published by Anbar Management Publications. Readers wishing to consult original texts should write to PO Box 23, Wembley, HA9 8DJ.

The Labour Relations of U.S. Multinationals Abroad. D. Kujawa in Labour and Society (Switzerland), Vol 4 No. 1; p. 3 (23 pages).

Examines host-country industrial relations conflict areas that are generally believed to accompany the operations of U.S. multinationals, especially the limitation of local management authority, the ability to "switch" investment and production to other countries, and the allegation that multinationals disregard local industrial relations customs and values: compares these perceptions with those of labour relations of foreign multinationals in U.S. Puts forward a product-life-cycle theory to explain management behaviour and its effect on human relations in the manufacturing sector, and examines multinational behaviour in this context.

New Scope for the Suggestion Scheme. O. J. Böhme in Industrielle Organisation (Switzerland), Dec. 78; p. 537 (three pages, in German, English version available).

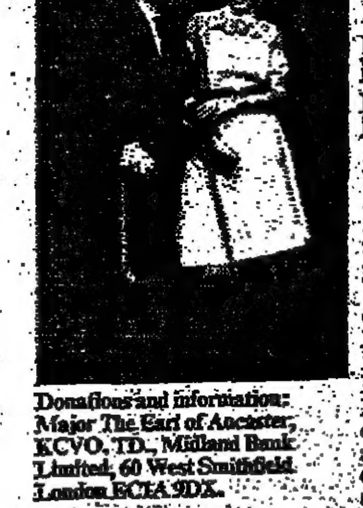
Pleads for the recognition of suggestion schemes as integral parts of management methods, by widening their scope and inviting staff to use them to point out risks and to suggest how such situations can be avoided or remedied.

Assembly-Line Reform in Germany. B. Walsh in Management Services (UK), Feb. 79; p. 22 (two pages, illus., diag.).

Summarises a German-government-funded study of ways of improving job satisfaction, particularly for assembly-line workers; quotes examples from Daimler-Benz, AEG Telefunken (typewriters), and Volkswagen of attempts to divide assembly or component lines into smaller sections with intermediate stocks so as to give operators more control of pace,

Financial Analysis and Marketing Strategy. P. C. N. Mitchell in Management Accounting (UK), Feb. 79; p. 16 (four pages, charts, tables).

Outlines some themes of marketing strategy and explains the principles of the product portfolio and of the product life cycle; discusses how the accountant can develop information systems to support marketing strategies.



COMPANY NOTICES

TORAY INDUSTRIES, INC.
(formerly Toyo Rayon Kabushiki Kaisha)

S. G. WARBURG & CO. LTD., announce that a dividend of Yen 2.50 per share has been paid to shareholders on the books of the above Company as at 31st March, 1979, in respect of the six months period ended on that date.

Holders of Bearer Depositary Receipts issued by S. G. Warburg & Co. Ltd. may present Coupon No. 33 for payment at S. G. Warburg & Co. Ltd., Coupon Department, St. Albans House, Goldsmith Street, London, EC2P 2DL or at Banque Internationale à Luxembourg, 2 Boulevard Royal, Luxembourg, subject to deduction of Japanese Withholding Tax and United Kingdom Income Tax (if any) at the appropriate rates. Details of tax deduction can be obtained from Paying Agents.

S. G. WARBURG & CO. LTD. as Depositary.
9th July, 1979.

OMRON TATEISI ELECTRONICS CO.

Advice has been received from Tokyo that payment of a Cash Dividend of Yen 3.75 per share has been made for the six months period ended 31st March 1979.

The dividend will be payable in United States Dollars (except to residents of the United Kingdom) and will amount to $0.0867 per Depositary share before deduction of any Japanese Withholding Tax.

RESIDENTS OF THE UNITED KINGDOM will receive payment in sterling converted at the rate of exchange ruling on the day of presentation of the coupons.

RESIDENTS OF THE FOLLOWING COUNTRIES who are subject to deduction of Japanese Withholding Tax at the reduced rate of fifteen per cent, will receive a net dividend of $0.0737 per Depositary share after deduction of Withholding Tax amounting to $0.0130.

Australia, Belgium, Canada, Denmark, Finland, France, The Federal Republic of Germany, Italy, Malaysia, The Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland, The United States of America.

RESIDENTS OF ALL OTHER COUNTRIES (EXCLUDING THE REPUBLIC OF KOREA) who are subject to deduction of Japanese Withholding Tax at the full rate of twenty per cent will receive a net dividend of $0.0694 per Depositary share, after deduction of Withholding Tax amounting to $0.0173.

RESIDENTS OF THE REPUBLIC OF KOREA who are subject to deduction of Japanese Withholding Tax at the reduced rate of twelve per cent, will receive a net dividend of $0.0763 per Depositary share after deduction of Withholding Tax amounting to $0.0104.

To obtain payment under deduction of Japanese Withholding Tax at a reduced rate, the coupons must be accompanied by an affidavit of residence approved by the Japanese Ministry of Finance. Forms of affidavit are available at any of the offices listed below. In the absence of such affidavit coupons will be paid under deduction of withholding tax at the full rate of twenty per cent.

Attention is drawn to the fact that the aforementioned concessions relating to Japanese Withholding Tax apply only to coupons presented for payment within five months of the record date ie 31st March 1979. Therefore, tax will be deducted at the full rate of twenty per cent and it will be the responsibility of the owner to claim from the Japanese Tax Authorities any refund to which he is entitled.

HOLDERS OF BEARER DEPOSITARY RECEIPTS (B.D.R.'s) wishing to claim this dividend should present Coupon No. 27 at the Offices of any of the following:—

HILL SAMUEL & CO. LTD., 45 BEECH STREET, LONDON EC2P 2LX (where lodgement forms are available).
HILL SAMUEL & CO. OHG, Postfach 174183, NIEDENAU 45, 6000 FRANKFURT AM MAIN, WEST GERMANY.
KREDIETBANK S.A. LUXEMBOURGEOISE, 43 BOULEVARD ROYALE, LUXEMBOURG.
BANK OF TOKYO LIMITED, 4-8 Rue Sainte-Anne, PARIS 1, FRANCE.
BANK OF TOKYO LIMITED, DUSSELDORF, SCHADOWPLATZ 12, FEDERAL REPUBLIC OF GERMANY.
BANK OF TOKYO LIMITED, Avenue des Arts 47/49, 1040 BRUSSELS, BELGIUM.
BANK OF TOKYO LIMITED, SUTHERLAND HOUSE, 3 CHATER ROAD, HONG KONG.
BANK OF TOKYO TRUST CO., 100 BROADWAY, NEW YORK, U.S.A.

In the case of Coupons presented for payment in London, United Kingdom Tax will be deducted from the proceeds unless accompanied by an Inland Revenue Affidavit of Non-Residence. Coupons must be presented by an Authorised Depositary and must be left four clear days for examination.

THE "SHELL" TRANSPORT AND TRADING COMPANY, LIMITED

1979 CAPITALISATION ISSUE
NOTICE TO HOLDERS OF SHARE WARRANTS TO BEARER

The "Shell" Transport and Trading Company, Limited announce that, further to notice of 18th May 1979, the period for the deposit of Coupon No. 159 on behalf of holders of Share Warrants to Bearer has been extended to 27th July 1979.

Coupons must be lodged through a Banker or other Agent who is an authorised depositary within the meaning of the Exchange Control Act, 1947 or by an Approved Agent in the Republic of Ireland.

Share certificates issued after 13th July 1979 will be in non-renounceable form.

If Coupons No. 159 are not so deposited by 27th July 1979 at Lloyds Bank Limited, 39 Threadneedle Street, London, E.C.2, together with duly completed Application and Listing Forms, the new shares to which the holder of a warrant would have been entitled will be sold and the holder of such warrant on subsequently depositing Coupon No. 159 and completing such forms as may be required, will be entitled to receive only the net proceeds of sale.

By Order of the Board.
G. J. OKELL, Secretary.
Shell Centre,
London, S.E.1.
9th July 1979.

EUROPEAN DEPOSITARY RECEIPTS ISSUED BY MORGAN GUARANTY TRUST CY OF NEW YORK REPRESENTING SHARES OF KUBOTA LTD.

The General Meeting of Shareholders of Kubota Ltd. will be held on July 12 1979 at the Company's head office in Osaka.

AGENDA

1. Approval of the business report, balance sheet and profit and loss statement for the fiscal term from April 16, 1978 to April 15, 1979.
2. Partial amendment to Articles of Incorporation.
3. Election of 14 directors
4. Payment of retirement allowance to the retiring statutory auditor.

Shareholders who want to exercise their voting rights must deposit their certificates, not later than July 11, 1979 at any of the following:

Morgan Guaranty Trust CY of New York in
—Brussels, Avenue des Arts, 35
—London, 33 Lombard Street
—Frankfurt Main, Bockenheimer Landstrasse 8
—Paris, Place Vendome, 4
—New York, 15, Broad Street
Bank Mees and Hope N.V., Amsterdam, P.O. Box 293
Banca Vonwiller S.p.A., Milan, 14, via Armorari
Kredietbank, Luxembourg, 43, Bd. Royal

together with instructions indicating the way the shares bev oted or allowing Morgan Guaranty Trust Company of New York to give a discretionary proxy to a person designated by the Company.

KONISHIROKU PHOTO INDUSTRY CO. LIMITED

NOTICE TO EDR HOLDERS

NOTICE IS HEREBY GIVEN that the 75th Ordinary General Meeting will be held at 10.00 a.m. Tokyo time on Tuesday, July [illegible] 1979 at Nomura Hall, Shinjuku Nomura Building, 26-2, 1-Chome, Nishi Shinjuku, Shinjuku-Ku, Tokyo, Japan.

Details of the Agenda are as follows —

(i) Approval of the Company's Business Report, Balance Sheet, Income Statement and proposed distribution of unappropriated retained earnings for the business term April 21st, 1978 to April 20th, 1979.
(ii) Election of 8 Directors.
(iii) Granting of gratuity to retiring directors.

Sales for the business term ending April 20th, 1979 amounted to Yen 143,260 Million, net income amounted to Yen 5,902 Million and the proposed dividend, subject to shareholders' approval will be Yen 3.75 per share. A fuller statement of income is available at the offices of The Chase Manhattan Bank, N.A., Woolgate House, Coleman Street, London EC2P 2HD, and at Chase Manhattan Bank Luxembourg, S.A., 47, Boulevard Royal, Luxembourg and at Kredietbank S.A. Luxembourgeoise, 37 rue Notre Dame, Luxembourg.

EDR holders wishing to exercise their voting rights should comply with the instructions contained within Condition 12 of the EDRs not later than July 12th, 1979. In this case it will not be necessary to deposit the EDRs or any coupon detached therefrom.

THE CHASE MANHATTAN BANK N.A. LONDON
As Depositary.
July 1979.

LEGAL NOTICES

IN THE MATTER OF PLANTATION HOLDINGS LIMITED AND IN THE MATTER OF THE COMPANIES ACT 1948
Notice to Creditors to come in and prove debts or claims

NOTICE IS HEREBY GIVEN that the creditors of the above-named company, which is the subject of a members' voluntary winding up, are required, on or before 20th August 1979, being the day for that purpose fixed by Mr. R. D. Agutter and Mr. G T E. Parsons of Peat, Marwick, Mitchell & Co., 1 Puddle Dock, Blackfriars, London EC4V 3PD, the Joint Liquidators of the said Company, to send their names and addresses, and the particulars of their debts or claims, and the names and addresses of their Solicitors, if any, to the undersigned at 1 Puddle Dock, Blackfriars, London EC4V 3PD, and, if so required by notice in writing from the said Liquidators, are by their Solicitors to come in and prove their said debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved, or from objecting to such distribution.

Dated this 3rd day of July 1979.
RICHARD DEVENISH AGUTTER,
Chartered Accountant.
GUY THOMAS ERNEST PARSONS,
Chartered Accountant.
Joint Liquidators

PUBLIC NOTICES

PLYMOUTH CITY COUNCIL £0.5m Bills issued 4th July 1979, due 3rd October 1979, at 13¹¹⁄₁₆%. Total applications £5m. Bills outstanding £0.5m.

TRAVEL

LOMBARD

Try to guess who said that

BY SAMUEL BRITTAN

ALTHOUGH IT is too late for midsummer madness and too early for the August silly season, readers might still like to dispel the drowsiness of the weather by trying their hands at the following guessing game.

It is extremely simple. I have reproduced below four quotations from recent utterances without their authors' names, which readers are asked to guess. But I will make it easier by saying that the four authors are (in alphabetical order) Prof. Milton Friedman, the monetarist and free market economist; Mr. Wynne Godley, head of the new Cambridge school which advocates, *inter alia*, import controls; Prof. F. A. Hayek, the author of the *Road to Serfdom* and anti-collectivist philosopher; and Prof. Robert Neild, another Cambridge economist, who was a senior economic adviser to the first Wilson Government. All readers have to do is to put the right name against the right quotation.

Quotation Number One. "But if the Chancellor means for instance that he is committing himself to a reduction over a period of years in the Public Sector Borrowing Requirement or money supply, it would be far better to come right out with it. Apart from the fact that we would then have an overt formulation of economic strategy which could be seriously analysed and evaluated, it would stand a far greater chance of being successful through the expectations of declining inflation it would perhaps create."

Quotation Number Two. "Daltons now stand at 20, equivalent to less than three in real terms compared with their issue price of 100. (These are Treasury 2½ per cent stock issued at par from October 28, 1946, to January 11, 1947, redeemable at three months' notice from the Government at any time since April 1, 1975.) To reduce the real value of the money someone lent you to 1-40th of its value in just over 30 years is an appalling record."

Quotation Number Three. "From the long-run point of view, it seems to me preferable to resort to a temporarily higher level of borrowing rather than to a possibly permanently higher level of indirect taxes."

Quotation Number Four. "On the other hand, it is merely common sense that Government, as the biggest spender and investor whose activities cannot be guided wholly by profitability, and which for finance is in a great measure independent of the state of the capital market, should so far as practicable distribute its expenditure over time in such a manner that it will step in when private investment flags, and thereby employ resources for public investment at the least cost and with the greatest benefit to society."

The first quotation on firm monetary targets seems pretty obviously to come from Friedman. The second, on the immorality of Government's defrauding borrowers through inflationary finance, has surely all the characteristics of Hayek. The third and fourth quotations on the case for higher Government borrowing and the need for contracyclical planning of Government spending might be expected to come from Neild and Godley, perhaps in that order.

I hate to disappoint, but anyone who has reasoned along preconceived lines will score zero in this quiz. Readers who have guessed there is a catch will do better. In fact the first monetarist quotation comes from Godley (Vickers da Costa circular on *The British Economy*); the second one, the tirade against the treatment of holders of Daltons, comes from Neild (Lloyds *Bank Review*, July, 1979). On the other hand the third quotation suggesting more Government borrowing instead of the VAT increase comes from Friedman (*Newsweek*, July 9); and therefore the fourth quotation on contracyclical spending comes from Hayek (*Law, Legislation and Liberty*, Vol. 3, Routledge, pages 59-60).

No lapses

Reference to the original context will show that these are not lapses or inconsistencies. The actual doctrines of great men—even so-called extremists—are far more subtle than the stereotypes which circulate. Marx said that whatever else he was, he was not a Marxist. Ex-patients of Sigmund Freud report that he repeatedly violated the Freudian canons; and Keynes was not much like a present-day Keynesian.

Good doctrinaire thinking, so far from consisting of a set of cliches, is very difficult instead, and attempted at their peril by practical political practitioners.

First moves today on reversing closed shop principle

THE GOVERNMENT'S first step towards reversing the provision in the Trade Union and Labour Relations Act, 1974, authorising and enforcing the closed shop in industry will be taken today, not at Westminster but in Strasbourg.

The Solicitor-General, Sir Ian Percival, QC, MP, is appearing before the European Commission of Human Rights in an action brought against the British Government by three workers who complain of their dismissal from work because they refused to join a trade union. They claim that the law on the closed shop is a violation of Article 11 of the European Convention on Human Rights.

That Article guarantees freedom of association, including the right to form and join trade unions for the protection of workers' rights. The argument is that that fundamental freedom necessarily includes the right *not* to join a trade union, which is in practice cancelled where there is a closed shop, that is, compulsory union membership as a condition of securing or retaining employment.

The last Administration's stout support of its own legislation before the European tribunal constituted a potential embarrassment to the Administration of Mrs. Thatcher. But the Solicitor-General is likely to seek a way out of the legal impasse of having to defend an aspect of industrial law that is anathema to the Conservative Party.

He will point out to the Commissioners in Strasbourg that under the 1971 legislation of the Heath Administration the closed shop was optional and that freedom of choice to workers whether they become members of a trade union will again soon be restored.

Hence, it will be said, the present complainants would have had no right to complain either before 1974, nor will they have any complaint in the very near future. And since the European Commission is not a court of law but both a fact-finding body and an instrument of conciliation between complainants and governments, it will be urged not to proceed to make a finding of any violation, but simply to dismiss the applications on suitable terms.

The legal issue is in any event a tricky one that the Commission may not wish to tackle unless it is forced to do so. The present law in England is that the dismissal of a worker by his employer is to be regarded as fair if it is the practice under a union membership agreement between employers and trade union(s) for all workers of the same class to belong to a specified independent union, or to one of a number of unions, and the reason for the dismissal is that the employee is not a member of a specified union.

Among unionised workers roughly two out of every five are employed in closed shops, so that the present law removes the protection against unfair dismissal on the ground of non-union membership in less than half of the labour force of the

THE WEEK IN THE COURTS

BY JUSTINIAN

country. The only exception under the present law is where the worker genuinely objects to joining a *union on grounds of* religious belief.

It is unfair to dismiss or victimise an employee who objects on religious grounds. The Royal Commission on Trade Unions has recommended a further safeguard in respect of the conscientious objector. That wider concept was rejected by Parliament in 1974 because it was thought that it would be used as a device on the part of some workers to avoid paying a trade union subscription. *Religious objection is also* susceptible of fairly definite proof; conscientious objection may be highly subjective and difficult to apply.

The economic and organisational justification for the closed shop is that union bargaining strength would be enfeebled, in at least some spheres of employment, if the closed shop were simply prohibited by law. Interestingly, in one of the rare closed shop cases to come before the courts, a full recognition was accorded to the need for a closed shop in the entertainment business where there *existed* a readily *available* alternative workforce.*

The Court of Appeal in 1963 said that the Film Artistes' Association was in fact a union sufficiently powerful to be able to operate a closed shop within a radius of 50 miles of London, so that anyone desirous of engaging in such work in film studios within that area had to be a member.

The Association had then 1,600-1,700 members and received about 5,000-6,000 applications to join every year. The Court went on to observe that "if the membership was allowed to increase much beyond the present figures their members would hardly earn a living wage; moreover, the technical standards required by film producers might decline and the closed shop might be imperilled."

Irrespective of the 1974 law, the legality of the closed shop is not a simple question in English law. There is not, nor has there ever been, a rule declaring compulsory union membership to be lawful or unlawful. The establishment of a closed shop in the teeth of managerial opposition, of course, requires economic pressure by the union to secure an agreement that non-union labour should not be hired or retained.

The lawfulness of establishing a closed shop would thus depend on the means employed. Here the trade unions would find the law unsympathetic to strike action, or to interference with contracts between the employer in question and his customers. But this is where the protection which the law gives trade unions in respect of action in furtherance of trade disputes comes into play.

The Government will no doubt wait and see the outcome of a case now before the House of Lords that raises the extent of trade union immunity from legal action. In *Express Newspapers Ltd. v. McShane*† the Court of Appeal last December limited the protection afforded by the 1974 Act to disputes that were reasonably capable of, or have a practical prospect of, furthering the dispute; hence the sympathetic strike action was not protected.

Enforcement, with managerial compliance, of a closed shop against non-union labour or labour belonging to the wrong union involves only a lawful combination. Maintenance of a closed shop, either where membership of one union exclusively is required or where membership of some trade union is required, normally demands managerial assent.

Management itself sees that multi-unionism spells friction among union representatives and, therefore, seeks to deal only with one union, thereby promising relative industrial peace and orderliness. It is only where the closed shop requires membership of one union exclusively that the individual's freedom of choice is extinguished within the area of control of the closed shop. But that is as much a product of management action as of trade unionism. Thus the freedom *not* to join a union is not the reverse side of the same coin that guarantees a freedom to join.

**Faramus v. Film Artistes' Association* (1963) 2 Q.B. 527 at page 545. †(1979) 1 W.L.R. 390.

A deal that turned sour

THE DISPUTE between bloodstock dealer, Mr. Wayne Murty, and the Aga Khan over ownership of horses acquired from the bankrupt textile proprietor, M. Marcel Boussac, now, regrettably, seems set for a French court.

Furthermore, there is little doubt in my mind that not only

RACING

BY DOMINIC WIGAN

may we see an outcome which will leave Murty still feeling aggrieved, but one which will do nothing but harm to the credibility of France's breeding and racing industries.

At stake in the dispute is the fate of 56 horses acquired by Murty, a 42-year-old U.S. bloodstock agent, for $840,000 almost exactly a year ago. The sale, a comparatively uncomplicated *matter one would have thought*, should have been a simple affair. It was not.

Two days after paying that $840,000, and a week before Boussac's estate officially went into bankruptcy, a French dealer, M. Victor Thomas, who has acted for the Aga Khan, in the past approached the American agent with a view to obtaining the horses, with a profit going to Murty. The offer was refused.

According to Murty, he was warned that he should reconsider the "offer," since the sale could be killed through "friends" in the French Government and Jockey Club, preventing the animals from leaving France.

Murty again declined and, as Thomas had anticipated, the American found himself facing that obstacle. Both the director of France's Jockey Club and the head of the National Stud refused to sign the export licences, claiming they were acting under orders from the Ministry of Agriculture. At approximately that time, the National Stud was presented by the Aga Khan with a gift of three stallions.

A whole chapter of proceedings and manoeuvres followed, with a Paris bankruptcy court overturning the Murty purchase in the interest of Boussac's creditors, setting the wheels in motion for a bigger offer by the Aga Khan to be accepted.

As things stand, the Aga Khan has the animals, but Murty holds tight to their all-important (or so one would have thought) registration papers. Now it is suggested that the French Jockey Club may overturn its own rules by issuing duplicate certificates—a move unthinkable to many, since the certificates have neither been lost nor destroyed.

A sensible suggestion, with the aim of securing a fair outcome, would be for the pair to go to international arbitration under an independent panel of members satisfactory to both parties, rather than to the courts. However, it is not thought likely that the Aga Khan would be likely to accept such a proposition.

WINDSOR

7.35—Catechism*
8.05—Shoot The Sun
8.35—Hanovia Gold**
9.05—Viribus***

TV/Radio

† Indicates programme in black and white.

BBC 1

6.40-7.55 am Open University (Ultra high frequency only). 1.15 pm News. 1.30 Trumpton. 3.35 Yours Songs of Praise Choice with Thora Hird. 4.13 Regional News for England (except London). 4.15 Play School. 4.40 Roobarb. 4.45 The Oddball Couple. 5.05 Blue Peter Flies the World. 5.35 Captain Pugwash.
5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Nationwide.
6.55 Ask the Family.
7.20 *The Dukes of Hazard.*
8.10 Panorama.
9.00 News.
9.25 The Monday Film: "J. W. Coop" starring Cliff Robertson.
11.15 The Devil's Music.
11.40 Down to Earth—The End of Skylab.
12.00 Weather/Regional News.

All Regions as BBC1 except at the following times:

Scotland — 9.50 am Magic Roundabout. 9.55 Jackanory. 10.10 Don and Pete. 10.15 Desert Adventure. 10.35-10.55 Take Hart. 5.55-6.20 pm Reporting Scotland. 11.40 News and Weather for Scotland.

Wales—1.30-1.45 pm Pili Pala. 5.55-6.20 Wales Today. 6.55-7.20 Heddiw. 11.40 News and Weather for Wales.

Northern Ireland — 4.13-4.15 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.40 *News and Weather for Northern* Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
11.00 Play School (as BBC1 4.15 pm).
4.50 pm Open University.
6.55 Pick of the Philpott File.
7.45 Mid-Evening News including sub-titles.
7.55 For Valour.
8.10 The Waltons.
9.00 Sing Country.
9.40 Inside Story.
10.25 Verse, Worse and Baby Grand.
10.25 Return Call to Brass Tacks.
11.05 Late News.
11.20 Heute Direkt.
11.45 Closedown reading.

LONDON

9.30 am Beyond the Moon. 10.00 The Open Air. 10.30 Cartoon Time. 10.40 Night Call. 11.10 To The Wild Country. 12.00 Jamie and the Magic Torch. 12.10 pm Rainbow. 12.30 Emmerdale Farm. 1.00 News plus FT Index. 1.20 Thames News. 1.30 All About Toddlers. †2.00 Monday Matinee: "Action in the *North Atlantic*" starring Humphrey Bogart. 4.20 Clapperboard. 4.45 Why Can't I Go Home? 5.15 World Modern Rhythmic Gymnastics Championships.
5.45 News.
6.00 Thames At 6.
6.35 Crossroads.
7.00 Oh Boy!
7.30 Coronation Street.
8.00 Spooner's Patch.
8.30 World in Action.
9.00 Spearhead.
10.00 News.
10.30 Monday Star Movie: "The Love Machine."
12.25 am Close: George Robertson reads from works in the Buddhist Tradition.

All IBA Regions as London except at the following times:

ANGLIA

10.30 am Adam's Tale. 11.20 Send in the Clowns. 11.50 Oscar. 1.25 pm Anglia News. 2.00 Houseparty. 2.25 Monday Film Matinee: "The Damned Don't Cry" starring Joan Crawford. 6.00 About Anglia. 10.30 Speedway. 11.00 Feature Film: "Safari" starring Janet Leigh and Victor Mature. 12.40 am Reflections.

ATV

10.30 am Dick Tracy. 10.35 Sesame Street. 11.35 Ghost Busters. 1.20 pm ATV Newsdesk. 2.00 Movie Matinee: "A Night to Remember" starring Kenneth More. 5.15 Survival. 6.00 ATV Today. 10.30 Left, Right and Centre. 11.00 McCloud. 12.25 am Something Different.

BORDER

10.30 am Adam's Tale. 11.20 Send in the Clowns. 11.50 Oscar. 1.20 pm Border News. 2.00 Houseparty. 2.25 Matinee: "Miracle in the Rain" 5.15 Cabbages and Kings. 6.00 Lookaround Monday. 6.20 The Sound of . . . Semprini. 10.30 A Question of Sex. 12.15 am Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News and What's On Where 2.00 Inside Business. 2.30 Bygones. 3.00 The Monday Matinee: "Lanigan's Rabbi." 5.15 Cabbages and Kings 6.00 Channel News. 6.10 The Beverly Hillbillies 10.28 Channel Late News 10.35 Sounds of Summer. †11.05 Feature Film: "Who Killed the Cat?" 12.25 am News and Weather in French followed by Channel Gazette.

GRANADA

9.30 am Beyond the Moon. 10.00 The Open Air. 10.30 Sesame Street. 11.25 Valley of the Dinosaurs. 11.45 A Handful of Songs. 1.20 pm Cartoon. 2.00 Monday Matinee. Anthony Quinn in "Barabbas". 5.10 The Undersea Adventures of Captain Nemo. 5.15 Crossroads. 6.00 Granada Reports. 6.30 Get Some In! 10.30 The Monday Thriller: "The Visit"

HTV

10.30 am Adam's Tale 11.20 Send in the Clowns. 11.50 Oscar 1.20 pm Report West Headlines. 1.25 Report Wales Headlines. 2.00 Survival. 2.30 The Monday Matinee: "Don't Drink the Water." 5.15 The Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Report West 6.22 Report Wales. 10.35 Cinema Club: "A Pain in the A***"

HTV CYMRU/WALES—As HTV *General Service except*: 1.20-1.25 pm Penawdau Newyddion Y Dydd. 2.00-2.30 Hamdden. 6.00-6.22 Y Dydd. 8.30-9.00 Yr Wythnos.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.22-7.00 Report West.

SCOTTISH

10.30 am Adam's Tale. 11.20 Send in the Clowns. 11.50 Oscar. 1.25 pm News and Road and Weather. 2.00 This Year, Next Year †2.55 Monday Matinee: "Pony Soldier" starring Tyrone Power. 5.15 Popeye. 5.20 Crossroads. 6.00 Scotland Today—Summer Extra. 6.30 Crimedesk. 6.45 The Sound of . . . Semprini. 10.30 Colgate World Mixed Golf Championships. 11.30 A Question of Sex. 12.15 am Late Call.

SOUTHERN

10.30 am Adam's Tale. 11.20 Send in the Clowns. 11.50 Oscar. 1.20 pm Southern News. 2.00 Houseparty. 2.25 Monday Matinee: "The Picasso Summer" starring Albert Finney. 4.10 Cartoon. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day including Southsport. 10.30 Southern News Extra. 10.35 Doctors' Private Lives. 12.10 am Farm Progress.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 10.30 Adam's Tale. 11.20 Send in the Clowns. 11.45 Oscar. 1.20 pm North East News and Lookaround. 2.00 Monday Matinee: "Khartoum" starring Charlton Heston and Laurence Olivier. 6.00 *Northern Life*. 10.30 Cash and Company. 11.30 A Question of Sex followed by North East News Headlines. 12.15 am Epilogue.

ULSTER

10.30 am Adam's Tale. 11.20 Send in the Clowns. 11.46 Oscar. 1.20 pm Lunchtime. 2.00 Monday Matinee: "Cheyenne Autumn." 4.18 Ulster News Headlines. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Ulster Television News. 6.15 Family Matters. 6.30 The Mary Tyler Moore Show. 10.30 Monday Movie: "McMillan and Wife." 12.00 Bedtime.

WESTWARD

10.25 am Adam's Tale. 11.20 Send in the Clowns. 11.46 Oscar. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.00 Inside Business. 2.30 Bygones. 3.00 The Monday Matinee: "Lanigan's Rabbi." 5.15 Cabbages and Kings. 6.00 Westward Diary and Sports Desk. 10.32 Westward Late News. 10.36 Sounds of Summer. †11.06 *Feature Film*: "Who Killed the Cat." 12.25 am Faith for Life. 12.30 West Country Weather and Shipping Forecast.

YORKSHIRE

10.30 am The Herbs. 10.45 The Maharajahs. 11.35 The Roman Holidays. 1.20 pm Calendar News. 2.00 Monday Matinee: "Cheyenne Autumn" starring Richard Widmark, Carroll Baker, Karl Malden and Edward G. Robinson. 6.00 Calendar (Emley Moor and Belmont eds.). 10.30 The Calendar Question. 11.00 Barney Miller. 11.30 A Question of Sex.

Radio Wavelengths

1	1053kHz/285m 1089kHz/275m	3	1215kHz/247m & 90-92.5vhf stereo	BBC Radio London: 1458kHz, 206m & 94.9vhf
2	693kHz/433m 909kHz/330m	4	200kHz/1500m & 92-95vhf	Capital Radio: 1548kHz, 194m & 95.8vhf
& 88-91vhf stereo				London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(s) Stereophonic broadcast

5.00 am As Radio 2. 6.00 Dave Lee Travis. 9.00 Simon Bates. 11.31 Peter Powell. 2.00 pm Tony Blackburn. 4.31 Kid Jensen. 7.00 Stayin' Alive. 8.00 Andy Peebles. 9.50 Newsbeat 10.00 John Peel (s). 12.00-5.00 am As Radio 2.

RADIO 2

5.00 am News Summary. 5.03 Tony Brandon (s). 7.32 Terry Wogan (s) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.03 Jimmy Young (s). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (s). 2.15 David Hamilton (s). 4.15 Much More Music (s). 5.00 News. 5.05 Waggoners' Walk. 5.20 John Dunn (s). 6.45 Sports Desk. 7.02 Music from the Movies (s). 7.30 Sports Desk. 7.33 Alan Dell including 7.33 The Dance Band Days and 8.02 The Big Band Dance Sound (s). 9.02 Humphrey Lyttleton with The Best of Jazz on records (s). 9.55 Sports Desk. 10.02 Pros and Cons. 10.30 Star Sound. 11.02 Brian Matthew with Round Midnight including. 12.00 News. 2.02-5.00 am You and the Night and the Music with Patrick Lunt (s).

RADIO 3

†6.55 am Weather. 7.00 News. 7.05 Overture Part 1 (s). 8.00 News. 8.05 Overture Part 2 (s). 9.00 News. 9.05 This Week's Composer: Scriabin (s). 10.00 Talking About Music (s). 10.30 Recorder and Harpsichord recital (s). 11.30 BBC Scottish Symphony Orchestra. 1.00 pm News. 1.05 BBC Lunchtime Concert (s). 2.05 Music for Organ (s). 2.45 Matinee Musicale (s). 3.45 New Records (s). 5.25 Homeward Bound (s). †5.45 News. †5.50 Homeward Bound. †6.15 At Home. 7.10 Pied Piper with David Munrow (s). 7.30 Stomp It On Down. 8.00 Boston Symphony Orchestra (s). 9.15 Drummer Hodge (s). 10.10 Respighi (s). 11.000 The Living Poet (Christopher Middleton. 11.25 Jazz in Britain—The Alan Wakeman Octet (s). 11.55-12.00 News.

VHF only—6.00-7.00 am and 5.45-7.10 pm Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping forecast. 6.30 Today including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News headlines. 7.45 Thought for the Day. 8.35 The Week on 4. 8.45 Randolph Quirk with Sound Archives. 9.00 News. 9.05 Start the Week with Richard Baker. 10.00 News. 10.05 Wildlife. 10.30 Daily Service. 10.45 Morning Story. 11.00 The Great Tax Battle. 11.45 Listen With Mother. 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1979 (s). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.05 Afternoon Theatre. 4.35 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; programme news. 6.00 News. 6.30 I Like Spike (s). 7.00 News. 7.05 The Archers. 7.20 From Our Own Correspondent. 7.45 The Monday Play (s). 9.15 *Many Happy Returns*. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Conversation Piece with Beryl Grey. 11.0 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in *Parliament*. 12.00 News.

BBC Radio London

5.00 am Morning Music. 6.00 The AM Hour. 9.03 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 Breakthrough. 10.03 Late Night London. 12.00 As Radio 2. 12.05 am Question Time from the House of Commons. 1.05-5.00 Join Radio 2.

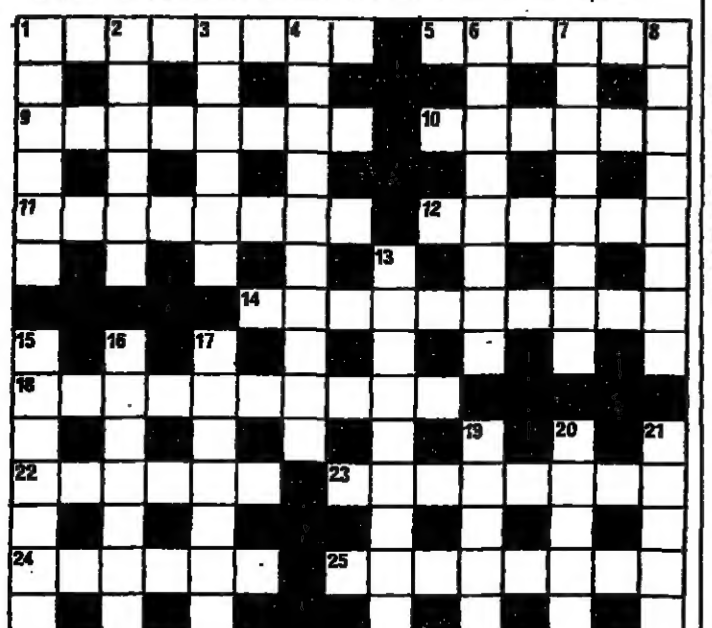
London Broadcasting

5.00 am Morning Music. 6.00 The AM Show. 10.00 Brian Hayes. 1.00-8.00 pm LBC Reports with George Gale at 3.00. 8.00 After Eight. 9.00 Nightline. 1.00 am Night Extra.

Capital Radio

6.00 am Graham Dene's Breakfast Show (s). 9.00 Michael Aspel (s). 12.00 Dave Cash (s). 3.00 pm Roger Scott (s). 7.00 London Today (s). 7.30 Open Line (s). 9.00 Nicky Horne's Your Mother Wouldn't Like It (s). 11.00 Tony Myatt's Late Show (s) 2.00 am Peter Young's Night Flight (s).

F.T. CROSSWORD PUZZLE No. 4,016



ACROSS

1 Gaiety has a legal term about it (8)
5 It is read and used by the medical profession (6)
9 A doctor frees the police (8)
10 Presumably, a cold place of employment (6)
11 What Adam was by profession, according to the clown in Hamlet (8)
12 An obstruction in the river we have to eliminate (6)
14 A clever man takes issue with the pet scheme (5, 5)
18 Lament after a day at the races might leave Nero in want (3, 1, 6)
22 Make a slip and get a commission (6)
23 Ugly, maybe, but always right (8)
24 Experts take it for good health (6)
25 Pub has no money for the simpleton (8)
26 Slackens an exhortation to depart (4, 2)
27 Cockney tip finished his fiancée (8)

DOWN

1 Obeisance causes surprise to the sorcerer (6)
2 Learning about ultra-violet beginnings in the old palace (6)
3 Right change of heart expressing schoolboy approval (6)
4 "—— ear and the seeing eye the Lord hath made even both of them" (O.T.) (3, 7)
6 Alfred fakes the score in the Open (8)
7 Agree with the Irish police—that's fantastic (8)
8 In that place one needs a day to change cash (3, 5)
13 A must for a Roman (4, 3, 3)
15 Nile port creates world-wide law enforcement (8)
16 Set forth with the chief tipster (5, 3)
17 Cygnus Rex showing off (8)
19 Familiar reception (2, 4)
20 Threaten to finish with one politician (6)
21 Irritated—a bit cheesed? (6)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

Covent Garden

Idomeneo by MAX LOPPERT

Idomeneo, the most recent of the Mozart operas to enter the Covent Garden repertory, was revived on Friday evening. The performance was one of the bleakest of a generally hapless season. The dramatic pulse was flaccid. The contribution of the chorus was perfunctory. A number of staging effects went notably wrong. All of which suggests that the Götz Friedrich production may have been less than wholeheartedly presented under Michael Rennison's supervision—but why did the Principal Producer of the House not revive the opera himself?—and that for the company it is not exactly a labour of love.

On the other hand, I (who did not see the production last year, when it was first shown) *find it hard* to believe that, even given with the degree of discipline and involvement unknown to Friday's performance, it could be anything other than a monstrous perversion of Mozart's *opera seria*. Encountering it the evening after Peter Hall's Glyndebourne production of *Così fan tutte*, which operates from the text outwards and from an unfailingly acute sense of musical and dramatic style, made for a brutal juxtaposition. Tastes differ over the sets and costumes of Stefanos Lazaridis; for me, their ugliness is unrelieved. By comparison, the Royal Opera's much-derided *Trojans* and *Aida*, both equally replete with Levantine bric-a-brac, stand as models of dramatic concinnity. The difference is that both those stagings are in essence 19th century productions of 19th-century operas. Friedrich's *Idomeneo*, stripped of its pretentiousness, is in essence a 19th-century production of an 18th-century opera.


Janet Baker
Leonard Burt

Colin Davis's conducting is affectionately detailed but slack-sailed, mostly devoid of the classical fire and purity for which his reading of the opera won its renown. A charitable view could be that he is an instinctive man of the theatre, and was conducting the production rather than the opera. The uncertainty of style spread to even so distinguished an artist as Janet Baker, whose Idamantes moves between eloquence and mannerism. The pallid Ilia of Yvonne Kenny and the lightweight Idomeneus of Stuart Burrows (who needed the frequent, audible assistance of the prompter) are repeated from last season; a new element, and almost the only consistently gratifying feature of the performance, is the Electra of that underrated singer Elizabeth Vaughan — glittering, aptly dramatic without vocal exaggeration (despite having to play a gesticulating vamp-sorceress), beautifully sensuous in "Idol mio."

Purcell Room

Lysis by ANDREW CLEMENTS

Lysis is a small group of young musicians specialising in contemporary music. Personnel are tailored to suit the programmes, but the constants are the bassist and pianist, Roger Dean, the percussionist Ashley Brown, and the violinist Hazel Smith. Their repertoire is imaginative and enterprising, with a particular emphasis on realising the graphic scores and improvisational pieces in those grey, underdefined areas that separate jazz from the fringes of the "serious" avant garde. It's music to which they respond with great vitality, and with care and discrimination they could carve out for themselves a valuable niche among modern-music ensembles.

At the moment, their very enthusiasm leads them astray in their programme building. Saturday evening's Purcell Room recital used eight members of Lysis in works by Hindemith, Ives, Stockhausen, and Xenakis, and four new pieces, as well as cramming in two group improvisations. Even using the short improvisations as a *digestif*, it was difficult not to be suffering from aural indigestion by the end of the concert.

Fewer works, more chance to relax, and perhaps the unfamiliar pieces might have created a stronger impression. As it was, Theo Loevendie's Music for Contrabass and Piano, a mixture of graphic and exact notation, came across as no more than a catalogue of the sound resources of the contemporary double bass, with Dean (accompanied by Erik Levi) as a virtuoso guide, often crudely constructed and congested with incident. Michael Finnissy's *Ru Tchou* is a minor work in his prolific output, a neat little study in ritual patterns for solo percussionist, mostly fingertip patterings interrupted by the occasional hard-struck outburst and long, echoing silence. Lyell Cresswell's *Waiata Tangi* makes a fairly extended piece out of a handful of pitches in long, overlapping lines for violin, double bass, and trumpet, conjuring up unexpected tonal references in a macabre, brooding atmosphere.

More substance, however, in John Wallace's Variation for bass clarinet, trumpet, violin, double bass, piano and percussion. It begins and ends well, falls away in its central section, yet creates the sense of a quite positive musical personality, full of surprising Stravinskian echoes (to his neo-classicism as well as the *Rite of Spring*) and jagged motoric writing.

Elsewhere the group provided sturdy, acceptable performances, witty in Hindemith's pawky *Three Pieces*, confident in Xenakis's Morsima-Amorsima. Colin Lawson's version of Stockhausen's Amour, five pieces for clarinet, was radically less extrovert than any other I have heard; but Ives's Violin Sonata No. 2, played by Miss Smith and Dean, seemed out of place in the context of this programme.

Perhaps future Lysis concerts will show less concern with displaying the full range of its scope and more attention to balance. A programme devoted to improvisation, for instance, would be bold and fascinating—the two examples included here were too brief to show how well the group could work together and whether any elaborate structural plans could be explored and sustained.

Aldwych

Antony and Cleopatra

by B. A. YOUNG

Royal Shakespeare productions commonly seem better when they come from Stratford to the Aldwych, having played themselves in for a season. It is, I suppose, a tribute to Peter Brook's thorough direction that *Antony and Cleopatra* seems almost unchanged.

It is still long, slow, colourless, eccentrically cast and touched here and there with moments of genius. If the four qualities I have ascribed to it suggest that it is dull, then I have been misleading. *Certainly* I found the last half-hour of a three-and-a-quarter-hour evening in need of a shot of adrenalin; with no visible monument for the eponymous couple to end their days in, they seem to take an unconscionable time a-dying, and Glenda Jackson, whose Cleopatra is at any rate lively in the earlier part of the evening, seems less at home with the prospect of death. "O, withered is the garland of the war" is breathless and chopped up.

Whether Mr. Brook, the designer Sally Jacobs, or Miss Jackson herself is responsible for her curious appearance I don't know. She wears no kind of finery until her death, and her hair is cut so short as to give her at some angles the look of a performing seal. But it is part of the principle on which the production seems to be founded to avoid any suggestion of visual illusion. Egypt, Rome, and Pompey's ship are contained within a frosted glass cupola through which characters can be seen preparing to make their entrances. The play is thus reduced into a protracted quarrel between a man and a woman. Miss Jackson fills the bill admirably as the woman. Alan Howard, who more than I ever recollect, imposes intonations on the verse that go plainly contrary to the sense, will please his admirers.

But for acting truly worthy of a company dedicated to Shakespeare you must look further down the cast-list. Patrick Stewart, bald and grizzled, looking like the White King in *Alice*, speaks Enobarbus's lines to perfection, besides projecting the personality of a real veteran soldier. Jonathan Pryce, swirling his white toga around, looks and sounds splendid as Octavius. David Suchet's gangster Pompey is fine. On the distaff side, there is a sympathetic Charmian from Paola Dionisotti.

Mr. Brook, in the austere mood that has overtaken him in recent times, does not seem to care much any longer for the poetry of Shakespeare's lines. So many of the small parts are rattled off with what seems a deliberately casual sound, so that the last words of phrases often disappear into the air. This will do well enough for *The Ik*. It ought not to be encouraged in Shakespeare.

Elizabeth Hall

Gustav Leonhardt

by NICHOLAS KENYON

Even great musicians sometimes do unmusical things. It is difficult to feel that Gustav Leonhardt's transcription for harpsichord of Bach's sixth suite for solo cello is anything but a sudden aberration by a great Bach performer. There are, of course, precedents for such transcriptions by Bach himself, and Leonhardt has previously made some from the solo violin works, but this latest sounded extraordinarily pointless. His version was, rightly, no mere rearranging of the notes. There were added counterpoints, and an attempt had been made to imitate a keyboard texture. Yet, the result was quite un-Bachian: it lay at least a minor third too high in the treble register; its harmonies were baldly obvious (whereas they are only hinted at in the cello original), and all the interest of the cross-string articulation of the original was lost. Some transcriptions work: Leonhardt played another Sarabande as an encore, which sat perfectly, expressively on the keyboard; but, really, it is not as if Bach needs keyboard works adding to his output.

On the evidence of the superbly tense and concentrated first half of the recital, Leonhardt could have given us a majesterial Partita or a group from the "48." He played six Scarlatti sonatas without any of the facile brilliance one so often hears — every phrase was moulded, and the D minor sonata K.52 acquired weight and nobility. Rhythms were clear and unhurried; the accumulated tension of K.192 and 193 was both unusual and startling.

Leonhardt does not perhaps have the easy grace needed for French music: a group of pieces by Jacques Duphly sometimes sounded a little stiff, though the langorous anticipations of "Les Graces" and the burbling basses of "La Dé Vaucanson" both made a fine effect. These exceptionally interesting pieces, showing the late French baroque evolving towards the early classical style, deserve a far more frequent hearing.

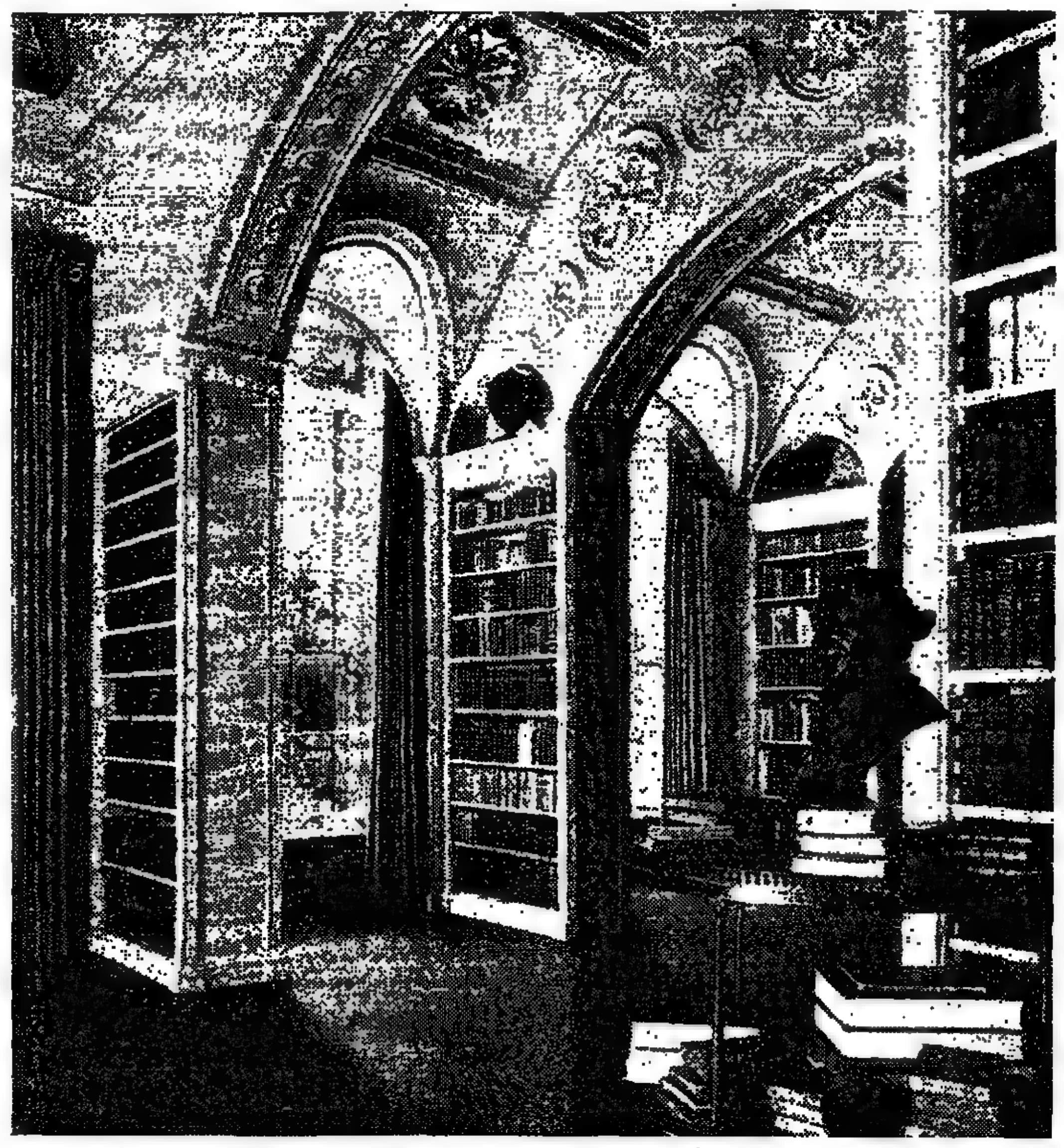
Festival Hall

Berlioz by ANDREW CLEMENTS

Thursday's concert by the Royal Philharmonic Orchestra was the fifth of what it calls its "Dorati Series"; six concerts in all, each devoted to a single composer, a celebration designed for the orchestra's new Conductor Laureate. Berlioz is not, however, a composer I had previously associated with Antal Dorati and indeed the programme did not suggest a Berlioz specialist: *Les Nuits d'Eté* and the *Symphonie Fantastique* preceded by the Overture *Les Franc-Juges*.

But evidently he cares about the composer. All the interpretations were sober and steadfastly serious, apparently intent on welding the most wayward structures into some sort of organic completeness, even at the expense of incidental excitement. In the overture the RPO strings could not float the *cantabile* lines enough to quicken it into life; even Dorati's architectonic bent baulked at making much *sense of its fits and starts*. Yet it was more surprising that this approach carried over into the song-cycle. Heather Harper was persuaded to produce a performance of astonishing reticence (and not a few un-French-sounding vowels) with the vocal line at times little more than a connecting thread for the myriad felicities of Berlioz's orchestration. A leaden accompaniment with surely too large an orchestra—does this work really need eight cellos and six basses?—made the total effect only ponderous.

All could have been forgiven of course, had this approach contrived to produce a cogent, convincing view of the *Symphonie*. But it did not.


The Book Room, Wimpole Hall

Architecture

Wimpole Hall by COLIN AMERY

Today Queen Elizabeth the Queen Mother opens Wimpole Hall, Cambridgeshire, the fourth great National Trust house to be inaugurated this year. From July 15 the public will be able to see for the first time a house *and park that is a microcosm of* the history of English 18th-century house architecture and landscape design.

It was the last owner of Wimpole, Mrs. Elsie Bambridge, the only surviving child of Rudyard Kipling, who bequeathed the house and nearly 3,000 acres of land to the National Trust. She also left the majority of Kipling's manuscripts and copyrights to the National Trust with a generous endowment that has made it possible for the structure of the house to be repaired and a programme of *gradual restoration to be started*.

Wimpole is the largest house in Cambridgeshire and by far the most significant in terms of the number of famous architects and designers who have worked there. The earliest house was built about 1640 by Sir Thomas Chicheley, the friend of architects Wren Pratt and May. Wimpole was added to by the Duke of Newcastle between 1693 and 1710, and by Edward Harley, the second Earl of Oxford, between 1713 and 1721. It was Harley, the great friend of Pope, who employed the architect James Gibbs to extend the house and build the great library and chapel. The chapel was decorated by Sir James Thornhill as a masterly *trompe l'oeil* version of a Baroque interior. It is one of the wonders of Wimpole.

After Harley's extravagant reign at Wimpole the house was sold in 1740 to Philip Yorke, first Earl of Hardwicke and a leading Lord Chancellor of his day. He commissioned Henry Flitcroft to reface the central block and make certain interior rearrangements including a long gallery in the west wing. It was the third Earl of Hardwicke who employed Sir John Soane in the 1970s to create Wimpole's most remarkable rooms. Soane's architecture is still underrated in England and these rooms give a splendid opportunity to see how much more generous in *spirit and in its sources of* reference Soane's work is when compared to European Neo-Classicism.

Soane's book room is one of the most ingeniously designed libraries to be found in an English country house. Project*ing bookcases on each side of* the room support grand eliptical arches decorated with fine plaster roundels. Black basalt Wedgwood urns and good Regency furniture complete the decoration of this strange and wonderful room. However, Soane's grandest achievement at Wimpole is the reception room known as the yellow drawing room. The room was designed to fill a rather awkward space and Soane's solution makes advantages of all the difficulties.

The result is a high domed, basilican room, close in plan to *the picture gallery that Soane* had recently completed for William Beckford at Fonthill. Lit principally from the top of the dome the room has many of the qualities that must have been present in the great spaces of the now demolished Bank of England. At Wimpole Soane also designed a splendid sunken bath that is large enough for 12 people to stand in. Even a glimpse of it today in its rather delapidated state makes one ponder upon the nature of the entertainments offered at Wimpole in the early 19th-century.

When Captain and Mrs. Bambridge bought the house in 1939 it was in very poor shape and even larger than it is now. From 1939 to 1945 the house was requisitioned and full of troops, a large American military hospital stood in the park and the restoration of the entire place must have seemed a daunting prospect. Despite the early death of her husband in 1943 Mrs. Bambridge carried on the task of restoring and furnishing the house entirely alone. She was fond of telling the story of her father's first reaction to her purchase of the great house. Kipling walked up to the front door and into the hall in complete silence, then he turned to his daughter and said, "Bird, I hope you have not bitten off more than you can chew."

*His fears were understand*able and today the task of repairing and maintaining the house is a heavy burden for the National Trust. To date the Trust has spent £340,000 on the house and this is largely to ensure that the structure is *sound. Every effort* is being made to retain the atmosphere created by Mrs. Bambridge, which is a stronge combination of centrally-heated decorative luxury and careful reconstruction of an 18th century house. The Trust has resisted the temptation to redecorate a great deal and this is to be commended.

In some National Trust houses the hand of the 20th century decorator is only too evident. At Wimpole the decision to use the great dining room with its early Victorian *plasterwork as a tea room is a* grave error of judgment. There is a ghastly sense of anti-climax as you pass from the saloon and breakfast room into a room full of canteen furniture. Perhaps when H. E. Kendall's stable block is repaired the tea drinkers can be moved out of the sequence of great rooms.

A visit to Wimpole provides, apart from the joys of the house, a panorama of English landscape design from 1690 to 1830. Charles Bridgeman, "Capability" Brown and Humphry Repton all changed the original 17th century layout. Today the two-mile-long elm avenue has been wiped out by Dutch elm disease but it is being replanted with limes and oaks. A Chinese bridge, castle ruin and large lakes are the main landscape features that remain but all of them are in need of repair. *Many of the* estate buildings have now been proved to be the work of Sir John Soane.

Wimpole stands as a great tribute to the spirit of Kipling's daughter but it is the spectacular rooms by Soane that provide the visitor with a real frisson of architectural excitement.

Wimpole Hall will be open to the public from July 15 to October 14 every day except Mondays and Fridays from 2-6 p.m. The house is sign-posted off A603 eight miles south-west of Cambridge.

WIMBLEDON BY JOHN BARRETT

Historic—but not a vintage year

IF WIMBLEDON '79 will not generally be remembered as a vintage year there were two historic achievements—one from Sweden's 23-year-old Bjorn Borg, and the other from the Grand Old Lady of American Tennis, 35-year-old Billie Jean King — that will be discussed and cherished as long as the game is played.

Borg's feat in winning a fourth successive singles title was not only unique in modern times (never achieved since the challenge round was abolished in 1922), but also had an epic quality about it that made his gruelling five-set final with the brave American left-hander Roscoe Tanner, one of the most dramatic I have ever seen.

The see-saw nature of his 6—7, 6—1, 3—6, 6—3, 6—4 victory that spanned 2 hours and 49 minutes of breathless suspense roused the emotions round the packed Centre Court. The nagging uncertainty about Borg's ability to contain the fierce serving and driving of the American was the quality which provided the suspense. When finally, after being thwarted on three match-points, he won his fourth and sank to his knees, hands clasped in attitude of prayer, the 15,000-strong choir cheered him with an intensity usually reserved for native heroes.

Five-set finals themselves are rare enough; this was only the eighth in the 34 championships held since 1946. Finals that sustain the suspense over the entire span are rarer still. All who saw it will be grateful to have been there.

If Tanner can eliminate the few blemishes, mainly of a lack in flexibility, that remain in his much improved game, he could soon win Wimbledon.

Mrs. King's capture at last of that elusive 20th Wimbledon title, will surely remain forever unbeaten. With world standards rising so fast I cannot imagine a player of either sex ever achieving as much again. The death of Elizabeth Ryan, who was visiting Wimbledon on the eve of Mrs. King's achievement would have been an exaggeration if any novelist had devised such a plot. But somehow Wimbledon produces situations like this—both Suzanne Lenglen and Maureen Connolly died during the championships, the first in 1938, and second in 1969.

Mrs. King has been — and indeed is — a great champion though the quality of her victory with Martina Navratilova by 5—7, 6—3, 6—2 over Betty Stove (a seemingly permanent runner-up) and Wendy Turnbull was an undeniably nervous affair.

Miss Navratilova's second title, at the age of 22, revealed a new maturity that will keep her at the top of the world game for as long as she cares to reign.

Historians will have noted the first Wimbledon title for John McEnroe. The 20-year-old American left-hander won the men's doubles on Friday with his regular partner, Peter Fleming.

Wimbledon's popularity continues to grow. Despite the decision not to admit more than 30,000 spectators at any time, overall attendance, 343,044, exceeded the 1975 record by 5,453.

The *standard of officiating* needs to be better. Now the umpire has the power to overrule linesmen, firm control from the outset is essential. Otherwise unscrupulous players will exploit the situation. Also, umpires must not be afraid to utilise the penalty-point provision.

HENLEY BY MICHAEL DONNE

British crew's grand win over Yale

THE BRITISH national crew, rowing under the combined colours of the Thames Tradesmen and London Rowing Club, yesterday demolished Yale University to win the Grand Challenge Cup, Britain's most coveted rowing trophy, at Henley Royal Regatta.

Although a stiff cross-wind prevented any records, the British crew's time of 6 min 35 sec for the 1m 550 yds course was very fast. Yale, who are the Eastern U.S. champions over 2,000 metres, led briefly after the start, but the well-drilled British crew soon slipped into top gear and by the end of Temple Island they were ahead.

The gap progressively widened, until at the finish they were *ahead by 2½ lengths*. Yale had some consolation, however, in that their second crew convincingly won the Ladies Challenge Plate, beating Dowing College, Cambridge.

Only three out of the 13 Henley trophies went overseas this year. In addition to Yale's victory in the ladies, a powerful heavyweight crew from Ridley College, Canada, beat their old rivals, Eton, in the Princess Elizabeth Challenge Cup for schools by 2½ lengths in 6 min 59 sec.

Ridley have now won this event five times in 11 years, which must be something of a Henley record.

The third trophy to go overseas was the Prince Philip Challenge Cup for four-oared boats, which was won by the Irish Garda Slochana police crew, who beat University of London by a length in 7 min 37 sec.

CRICKET BY TREVOR BAILEY

Two counties can break their duck

IT IS becoming increasingly probable that 1979 will turn out to be the year of the "never hads." There are now only two first-class clubs who have yet to win a major honour, Essex and Somerset and it is likely both will break their duck this summer.

Although it is far too early for their supporters to celebrate, they could well afford to put some champagne on ice. In addition, one of them could become the best team among the 17 counties and achieve this unofficial distinction by "doing the double."

The really big surprise is that neither club has succeeded in carrying off a title before, now that there are four (surely one too many?) honours to be shared out among the 17 contestants.

In the past it was an altogether different story, as only the County Championship was at stake and there were usually a few great teams around — like Surrey in the 1950s with four genuine international bowlers in an era of sporting pitches, or the Yorkshire of the 1930s.

Today, the difference in the ability of the various clubs is far less, which is largely the result of bringing in cricketing mercenaries from abroad.

It is not mere coincidence, or lack of talent that has stopped Yorkshire winning anything for eight years, but there must also be some doubts as to whether it really has been a levelling up.

If one examines what some of the counties have been masquerading as attacks this summer, it is necessary to go back to the 1940s to find quite so many insipid bowling line-ups. One reason is, of course, that in limited-overs cricket it is not essential to bowl out the opposition and even in first-class matches the first innings is artificially controlled.

Essex and Somerset have been close to success in recent years. Essex were literally within a decimal point of winning the John Player League, while Somerset, having defeated Essex in a marvellously close Gillette semi-final last year, were robbed of the John Player League by just losing to Essex in the last match.

The main reason why these two sides are doing so well is that they possess that vital balance, a batting line-up with class and depth, a varied attack, team spirit, and a few players of exceptional ability plus several good ones fighting for places.

This last asset was illustrated on Saturday when Essex made 338 for five, which included an opening partnership between Graham Gooch and Mike Denness of 170 on a far from docile pitch.

It is interesting that Denness, who elegantly stroked a fast and most attractive century against Sussex at the weekend is not certain of a place in the final on Saturday week, though it is difficult to see how one can afford to leave him out in a match of that importance.

Gooch has developed into a powerful, attacking opener and is in the process of establishing himself as an England regular. McEwan is a destructive stroke maker who would be playing automatically in Tests, if he had not been a South African.

Lever is comfortably the leading wicket taker, Philip is a typical Caribbean product—lively bowler and hard-hitting batsman—and there are two above average "bits and pieces" cricketers, Turner and Pont.

Keith Fletcher remains one of the best batsmen around with figures to substantiate the claim in domestic and international matches.

These are some of the men mainly responsible for Essex having established such a com*manding lead in the Schweppes* Championship that they will take some catching, while they must also fancy their chances in the Benson and Hedges final against Surrey.

Somerset are pressing hard in the John Player League, chasing Essex in the County Championship and have serious designs on the Gillette Cup.

Their disqualification because of their controversial declaration against Worcester has probably acted as a spur and made them even more determined to win something this season. I think they will.

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MPs deserve more

THE MOTIONS to be debated in the House of Commons on Wednesday on MPs' and Ministerial pay show that the Government has backed down slightly from its original response to the recommendations of the Boyle Review. Although the increases will still be phased, it is now proposed that a rather larger amount should be paid in phase one. It is also proposed that there should be an additional allowance for inflation when the later phases of the increase go into effect, so that by June, 1981, when the process is complete, MPs should be earning rather more than £12,000 a year recommended by the Review Body. By that time, too, an agreement should have been reached which would tie MPs' salaries to those of another, so far unspecified, professional group. Thereafter, or so the theory goes, the question of MPs' pay should be taken out of the political arena.

Harmful

The Government's concessions, such as they are, seem to have been inspired by the stormy reaction from MPs, especially Tory MPs, when it was announced last month that the increase would be paid in three equal stages. The Government, however, is still refusing to accept the recommendations of the Boyle Review in full, and in one respect its latest concessions could be positively harmful.

Boyle recommended that MPs' salaries should go up from just £7,000 to £12,000 in June this year. The Government has turned down immediate implementation on the grounds that such a large increase, paid in one fell swoop, could set a bad example for pay negotiations in both the public and the private sector. Yet the example now set by the Government is even worse. It is proposing, in effect, a system of indexation for the later stages of the award. MPs are to be compensated for the rise in the cost of living between now and mid-1981 when the third stage of the increase recommended by Boyle will be paid. One is bound to ask what the Government's reaction will be if other groups of workers, *whether professional or manual*, in the public or private sector, demand similar treatment. Yet if the Government itself is enshrining the principle of indexation in awards to MPs, it should not be surprised if *others sek to follow suit.*

As for the Government's attitude towards Boyle in general, it is necessary to return to the Review in order to set it in context. Boyle did not recommend that the *increases should* be phased in any way: it merely acknowledged that there might be political pressures against granting the increase all at once. *If such pressures proved* irresistible, it said, it was still desirable that the phasing process should be brief and should be completed by November next year.

The reason for this was that *MPs'* salaries *had* suffered unduly from the failure of previous governments to implement past Review recommendations in full. The present level of *MPs'* pay, for example, is now only about 85 *per cent* of what Boyle recommended it should be in June, 1975. Any further delays in implementing recommended increases would mean that this kind of situation would continue. The way for a government to rectify it was to move firmly by granting the award in one go.

Mrs. Thatcher's Government had that opportunity more than *any other in recent years. It is* a new government. It believes in incentives and indeed has already granted substantial salary increases to other professional groups. Any political unpopularity incurred by accept*ing the Boyle recommendations* for MPs in full would have been quickly forgotten as the Government and the country turned their attention to other subjects. What is more, the whole question of MPs' pay could *indeed have been taken from* the political arena by calling for the early adoption of a formula that would link the salaries of Parliamentarians to (say) those of Assistant Secretaries in the Civil Service.

Revolt

The final choice, of course, is up to individual MPs when they vote on Wednesday. It may be difficult for them to demand more for themselves when the Government has recommended otherwise. Yet it would be understandable, and indeed wholly justifiable, if there were to be an anti-government revolt. It is hard to avoid the conclusion that Mrs. Thatcher and her Cabinet had a responsibility to lead, and that they have failed *to take it.*

Rigidities in the bloc

LAST WEEK'S meeting in East Berlin of Warsaw Pact Com*munist Party officials whose job* it is to maintain ideological purity would doubtless have passed off with a yawn had the Romanian delegate *not* drawn attention to it by leaving early when it became clear that what was required was another condemnation of China.

There is nothing new in Soviet-inspired attempts to condemn China, nor, indeed, *in Romania's refusal to have any*thing to do with such exercises. But the pressures on Romania to conform are indicative of much deeper and more intractable problems facing party ideologues throughout the *Soviet bloc.*

Nationalism

Communists did not come to power through free elections. Once in power they ruthlessly suppressed all other political *forces, the Church and other* forms of cultural and social expression which did not share the Stalinist version of the Marxist-Leninist world view.

In the meantime, memories of Stalinist terror have receded and a new generation has grown up. Nationalism has imprinted its own individual stamp on all the highly differing countries which make up Eastern Europe. Religion, as the Pope's triumphal homecoming eloquently testified, has defied militant atheism.

Throughout the bloc, govern*ments have* sought to consolidate their power through slowly increasing material prosperity. In the process they have created many of the aspirations — but *fewer of the actual rewards* — of a consumer society. Inevitably this process has been based on the western model — which is after all the only such model *there is. These are all power*ful factors in what looks from the West to be a continuing process of ideological erosion in Eastern Europe including, to a *lesser extent, the Soviet Union* itself.

What makes this state of affairs more serious is the Soviet Union's failure honestly to confront the full implications of Stalinism and the refusal to *allow Marxist-Leninist theory* to develop in a way which takes into account the enormous changes which have occurred in the world since 1917 and make it genuinely attractive to the millions of people who are supposed to be governed by its principles. Euro-Com*munism and most of the other* attempts to reconcile theory with national traditions and the modern world have been developed outside the Communist bloc itself and keen treated with deep suspicion.

One attempt *within the* Soviet orbit was the publication of a controversial critique of "existing real socialism" by the East German Marxist Herr Rudolf Bahro. Publication, in West Germany, of his book "The Alternative" was rewarded with an eight-year jail sentence. His experience of East German socialism led him to conclude that imposition of *a historically distorted Soviet* model had created a highly conservative, narrow-minded and intensely bureaucratic form of state capitalism.

Propping up the system are all the coersive tools available to a totalitarian system. These include tight controls over information and the media, subtly graded privileges for the elite—and the risk of losing them, and in reserve, the willingness of the Soviet Union to use its own economic, political and military force to preserve its hegemony.

The trouble is that *none* of these problems ever get a mention in the official ideology. Neither are the issues ever openly discussed and those *Marxists in Eastern Europe* who bravely attempt to do so are either crushed en masse — as in Czechoslovakia — or individually as in the case of Herr Bahro. But it does not stop there.

Show trial

Last month the East German regime stepped up its repression of individual thought and *expression by expelling eight* writers from the Writers Union and followed this by introducing a maximum sentence of up to 12 years jail *for East German citizens* who perform the traitorous act of speaking their mind to Western newsmen.

To cap it all Czechoslovakia is now preparing yet another show trial of dissidents to coincide *with the 11th anniversary* of the invasion by Warsaw Pact troops. It is all a very sad commentary on the value of the Helsinki agreements and the meaning of words like freedom, socialism, and democracy.

The Post Office: a monopoly goes on trial

BY JOHN LLOYD

Sir William Barlow, Post Office chairman: limits to management

INTERNATIONAL COMPARISON OF POSTAL SERVICES

	UK	BELGIUM	FRANCE	W. GERMY.	ITALY	NETHERLDS.	SWITZ.	U.S.
Purchasing Power Parity price of 1st class letter*	10.0p	9.5p	11.4p	11.3p	11.9p	10.6p	6.9p	7.7p
Number of letters posted—(m)	9,237	2,467	11,800	12,400	5,800	3,900	2,900	92,000
Number of inland parcels posted—(m)	142	—	—	251	26	8	124	762
Number of Post Offices	23,100	1,800	17,500	20,700	13,900	2,500	3,900	30,500
Number of employees	192,000	52,000	244,000	271,000	173,000	57,000	34,000	665,000
Number of letters posted per employee	47,000	47,000	48,000	46,000	33,000	68,000	85,000	140,000
Number of letters posted per head of population	165	251	219	201	102	282	457	427
Population per Post Office	2,421	5,444	3,072	2,971	4,052	5,526	1,627	7,081
Number of letter deliveries per day in main towns	2 (Sat. 1)	2–3 (Sat. 1)	2 (Sat. 1)	1	1–2	1	N.A.	2 (Sat. 1)
Profit (loss) £m in 1977*	40	(124)	(95)	(619)	(209)	10	(60)	(375)

* Indicates that figures are the latest available. All other information derives from UPU statistics of 1976 (except for U.S., which are from 1977 Report and Accounts of USPO).

Source: Universal Postal Union

Tom Jackson, Post Office Workers' leader: a power of veto

IN RECENT weeks, the Post Office has suffered the most sustained and serious attack on its competence since the last time it suffered a sustained and serious attack on its competence.

The point *is* only in part humorously meant. The corporation is continually in the Top Ten of the nation's Aunt *Sallys: we now expect to com*municate efficiently by written word and voice across long distances, and when we are baulked of that expectation's fulfilment, we curse the carrier. The Post Office is thus regularly *anathematised:* this past *bout*, say those of its executives who have acquired permanent stoops from ducking behind the parapets, is at least less severe than some.

But the customary hyperbolic *rage now has a sharp barb* beneath it. The Government is disposed to intervene in the affairs of the corporation: it is likely to split it into separate postal and telecommunications corporations, and may curtail *its monopoly over telecommuni*cations equipment. It has even said that it has an open mind about the monopoly of the postal business, and Sir Keith Joseph has called for reports on the feasibility of private *enterprise — uniquely among* major postal services—carrying a significant proportion of letter traffic.

Posts must now prove its efficiency. It is thus a good time to ask—how efficient are the country's mails, and what quality of service may we *expect* from them? And will the postal business, in the court of Sir Keith, be shown to be guilty of monopolistic inefficiency and be condemned *to dismemberment?*

First, the case for the defence:

Exhibit one: the Post Office Review Committee (Carter Committee), which sat for 18 months and produced its report in July 1977, remains the *best recent examination of the* corporation. On posts, it commented "we have not made a comprehensive survey, but as far as we can find out few, if any, countries have a postal service better than ours."

Exhibit two: the Government White Paper, on the Post Office, a response to Carter, was published a little under a year ago. *It confirmed a target of a return* of 2 per cent on turnover for the postal business, one which the business so far has easily met. It broadly agreed with *Carter that the postal business* was in good (if not brilliant) shape.

Exhibit three: the Post Office Users' National Council—the statutory consumers' body—published a report on the delivery *performance* of the mail services in January of this year. It found that first class mails achieved their target of 93 per cent of letters delivered by next working day, while around 95 per cent of second-class letters *were delivered by the third* working day. Of the 7 per cent of first-class letters which did not reach base the next day, only 2 per cent at most could be attributed to Post Office tardiness the other 5 per cent was the *fault of the customer, of British* Rail or of the weather.

Performance guide

Exhibit four: international *comparisons are fraught with* difficulties, since no two countries are substantially alike geographically or socially. However, the table which accompanies this article, produced by the Post Office and hitherto *unpublished, is a guide to how* we perform.

It shows that British mails are in the lower half of the price range, that Britain has the most post offices per person (apart from Switzerland), that *it compares well on number of* deliveries, badly on number of letters posted per person, and is only average on productivity (numbers of letters posted per employee). It is also the only one—apart from the Nether*lands—which made a profit. On* this sample, and on these figures, it could lay reasonable claims to being "the best."

The defence could go on, but it rests here. The case for the prosecution should be preceded by a general preamble:

Over the past two weeks, Sir William Barlow and his senior postal executives have made it clear that, in their view, management of the modern postal service has well-defined limits. By far the most *important of these is the* strength of organised labour. If the Union of Post Office Workers refuses to allow something to happen, it will not happen. To "take on the unions," and to attempt to manage by fiat at any stage, is not regarded as a reasonable option.

In large part, this is so because the corporation's 400,000 workers have more *formal* power than workers anywhere else in the economy. They have had seven part-time worker-directors on the Board for 18 months, and similar representation on regional and local committees. This is in itself a rationalisation of the considerable power of veto they have had for many years.

Post Office management is thus, quite consciously, in the position favoured by Disraeli, *who appreciated at least some* of the effects of the progressive enfranchisement of the lower orders: it must seek to educate its masters. The main lesson is also the main case for the prosecution: it concerns productivity.

The case for the prosecution:

Exhibit one: productivity in the postal business—roughly measured as throughput of mail per man—has been on a downward trend for years. Eight *years ago, 175,000 postmen* handled 11.9bn pieces of mail a year: now, around the same number cope, sometimes inadequately, with 2bn less. That is a *big* drop for any business. Carter found that after a 22 per cent increase in *postal* productivity between 1922 and 1939, and a further (probable) increase of 20 per cent between 1939 and 1966, the index began to fall, showing an 11 per cent drop between 1966 and 1976. *In the same decade, sorting* time per mail unit went up by 12 per cent.

In extenuation, it must be said that there has been a reversal of the downward trend in recent years. That reversal, however, *as postal executives* admit, is wholly due to an increase in mail volume unaccompanied by equivalent increases in staff. Working practices are no better, and may have continued to worsen.

Exhibit two: quality of service, which is generally taken to mean the frequency with which the business can deliver first *and second class mail, has* declined. Its targets are now to deliver 93 per cent of first class post by the next working day, and 96 per cent of second class post by the third working day (down from second working day two years ago). *Last year*, it just about managed: this year, it has not—in June, first class mail was around 85 per cent. It is getting a little better, but the *summer holiday season, with* staff shortages, will probably make that little a very little.

Mr. Michael Corby, the ex-postal executive who is now director of the *Mail Users* Association, has calculated a "*quality of service*" index which shows a 15 per cent decline since 1969.

Exhibit three: value for money, a rather difficult concept to determine, has also been calculated by Mr. Corby in the *course of research for a forth*coming book. This index is constructed from Post Office figures on service provided for first class letters divided by the real price index. The resulting index, taking 1969 as the base year, shows *a decline of more* than 50 per cent.

A judicious summing up, then, might conclude that while the postal service compares favourably with postal services in other countries, it compares *unfavourably* with its own past, despite recent improvement. In general terms, this is not in dispute: the corporation admits, indeed is trumpeting, its concern over productivity. *So what* is to be done?

First, the *increase* in mail volume over the past two years must continue. The generally young and vigorous senior executive team in the postal business believes it can: Mr. Bill Cockburn, the director of *postal finance, sees—given hard* work—growth over the next five years at least. "But in the next five years after that, telecommunications might start to be very competitive with us. Prices for phone calls will go *down* in real terms, quite dramatically." Also, he cannily points out that the recent improvement has been due to one-off factors, such as a sudden *relief from the burden of a* huge pension fund deficit (through a piece of imaginative accountancy) and a rigid pay policy.

The big growth since 1976 has come from parcels, where the corporation can compete on price with other carriers, and in bulk mail, where it has marketed hard and secured large contracts. *Further growth* is likely in "junk" mail — circulars—but a number of UPW branches, especially in London, won't handle it, so the service is not *yet nation-wide*.

Second, and much more important, *the UPW must con*vince it self of the virtues of higher productivity. In part, as Cedric Briscoe, director of postal operations stresses, this means a "philosophical shift." The postmen, he says, "have since the war been *a* low-paid, low productivity, labour-intensive union. The union has genuinely believed that the corporation should pursue a social policy on employment, taking on as many people as it could. *We would want to convince it* that it should change to a higher-paid, high-productivity, less-labour intensive union. I think it is in its interests and I believe many of its members think so, too."

Devolution of power

Both Mr. Briscoe and Mr. Cockburn are keen on more devolution of power and responsibility in pursuit *of productivity*. Mr. Cockburn is encouraging his postmasters to become businessmen, concerned not just with cost-cutting but also with dreaming up ways of generating more income. "We don't want *rigidities* in the budgeting system to work against effective marketing."

Mr. Briscoe goes even further. "In my view, the only kind of productivity schemes which will work are local, rough-cut, schemes where the workers see the benefits right there. National schemes *don't work.*" (The National Coal Board, *interestingly*, came to the same conclusion two years ago, when it scrapped a moribund national scheme in favour of regional and pit agreements.)

Such "rough-cut" schemes are still a possibility. For now, the corporation is trying to get the UPW to agree to a package of productivity measures which includes acceptance of traffic measurement, temporary labour in the summer months and re-routing of mail between sorting offices. The indications are that it might win the first, has an outside chance on the last, but *would need a miracle to con*vince the postmen that temporary labour did not imply a "de-skilling" of their jobs.

Optimists in Post Office management believe this might happen: that the UPW will be convinced the higher productivity is essential to safeguard their jobs (that means rank and file postmen, not just the leaders, who are already convinced); that productivity measures will come in, though *they will have to be paid for* in relatively higher wages; and that, while postal prices will rise to accommodate these changes, the service will be fully efficient.

If this is how the cards fall, the shape of the service in a decade's time might be, says Mr. Briscoe, that "we will have very *good premium services (such as* Expresspost and Datapost, where growth has been rapid); a not bad "middle service"—the bulk of ordinary mail—handled possibly a little less well than now, and a big propor*tion of mail handled a bit better* than now."

If this does not happen, then, Mr. Cockburn believes, "we will see very rapidly increasing unit costs and we will lose out entirely to telecommunications. It is very, very hard to get productivity up when the traffic is *going down.*"

Finally, it must be said that *the impression given by senior* management in the postal business is that no one believes that private letter carriers will assist the efficiency of the mail. All believe that the post would lose its profitable services and be *forced into endless deficits.* They further believe that private business would be both inefficient and expensive.

They are, however, now required to prove that a continuation of the postal monopoly will be better. The case continues.

MEN AND MATTERS

Going rate at the heart of things

Five thousand Bank of England staff have been given a salary increase. As you would expect, it has gone through without any undignified publicity. But the Bank's last quarterly bulletin spoke of the need for wage restraint, so it must be helpful to the rest of us to know *how they will fare in* Threadneedle Street in the coming year.

First of all, there is a 10.3 per cent rise based upon the retail price index. Then there is 16 per cent more, to be paid in two instalments—6 per cent in November and 10 per cent in March. This, I am told, is designed to bring Bank of England staff in line with other *banks, and also involves a* measure of internal restructuring.

Finally, there is an additional £275 on the London allowance.

Overall, this will be worth about 30 per cent to a typical staff member by next spring.

"Well, it's a relief to know that he's no longer relying on faith alone."

Travel tactics

French holidaymakers will soon be able to book their trips *abroad at their friendly neigh*bourhood tobacconists. The trade mark will be "Blue Holidays," the colour of a packet of Gauloises. The travel agents are enraged, but a poll of tobacconists — who are almost invariably cafe owners as well —shows them 96 per cent in favour.

Partners in the project, which is likely to go into action in the autumn, are SEITA, the national cigarette manufacturer, plus the State-run national *lottery—whose* tickets are sold over the tobacconist's counter—and Banque Francaise, which pays out the lottery winnings.

The French Travel Agents' federation (SNAV) asserts that the scheme could not have reached the point it has without the approval of the Finance Ministry. Moreover, it is still awaiting an answer to an appeal against State-owned banks which have moved into the tour operating business.

But for all the SNAV complaints, it sounds promising for France's 46,000 *cafe owners*. If customers, sipping aperitifs, can be tempted to buy lottery tickets, why should they not also flip through brochures luring them to exotic places?

Closed book

As the advertisements for Ladbroke proclaim, the organisation "loves a bet." However, a sense of propriety has compelled it to close the book on whether it will lose its London casino licences in the current hearings in front of the good men and women of the South Westminster *magistrates* court.

But Michael Spencer, casino analyst for stockbrokers Simon and Coates, tells me that he laid a bet before Ladbroke's alleged "marketing" activities hit the headlines. He got on £100 at 20 to 1 with Ron Pollard, the maestro of special bets at Ladbroke.

Spencer is not enthralled, however, at any prospect of collecting. "The firm does more bargains in Ladbroke than in ICI.'

Token problem

The closed economy *of* an academic babysitting co-operative is not immune to unforseeable monetary ills, even when the currency in use is tokens from Kellog's Cornflake packets. In *De Freville Avenue, a backwater of* Cambridge, the donnish babysitters were recently taken aback to uncover a dilution of the originally fixed number of tokens—each one representing a night on duty at somebody else's house. The supply had been diluted by some freelance cutting up of cornflake packets.

Rather than start a witch-hunt, a new currency was devised—university computer cards of a distinct reddish colour and covered in numbers. But soon the counterfeiter was at work again. Unauthorised types of computer cards were put into circulation.

Yet another believer in unrestrained enterprise began cutting the cards in two, thus procuring a double ration of babysitting time.

It all seems a terrible example to set the undergraduates. The mother organising the scheme is now looking for "2,000 things which are almost impossible to forge" Perhaps money was not such a bad invention after all?

Old campaigner

The *Sandinista guerrillas* in Nicaragua are about to receive their most distinguished—and oldest—recruit. Dr. Luis Adolfo Siles Salinas, who was President of Bolivia in *1969*, last week celebrated his 54th birthday in the Balmoral Hotel in San Jose, Costa Rica. He was reading Graham Greens Heart of the Matter and preparing to move *forward into Sandinista-control*led territory in Nicaragua.

"I'm a bit old to take up arms," he said, "I'll limit myself to whatever civilian relief job the Sandinistas can find for me."

One of the few truly convinced democrats to have occupied the Bolivian presidency in the last few decades, Siles was overthrown in 1969 by the mili*tary after a few months in office.* He thereafter became Bolivia's leading human rights campaigner.

He was planning to stand again for the presidency in Bolivia at the start of this month, but lost out in the tricky game of tactical alliances and withdrew. He left the field open to a close relation, Dr. Hernan Siles Zuazo.

"I want to *show* there is a good deal of Latin American solidarity with the Sandinistas," he explains. "Somoza was forever saying that his opponents are all a bunch of *Communists*. I am not a Communist and I want to help to demonstrate that that is an outright lie."

Pram jam

A Continental reader who enjoyed my *recent story* about the man in Batum/Tiflis who won/lost a car/bicycle in a Georgia lottery/Soviet meeting recalls the tale of another comrade who worked in the People's Democratic Perambulator factory in "an un-named foreign state."

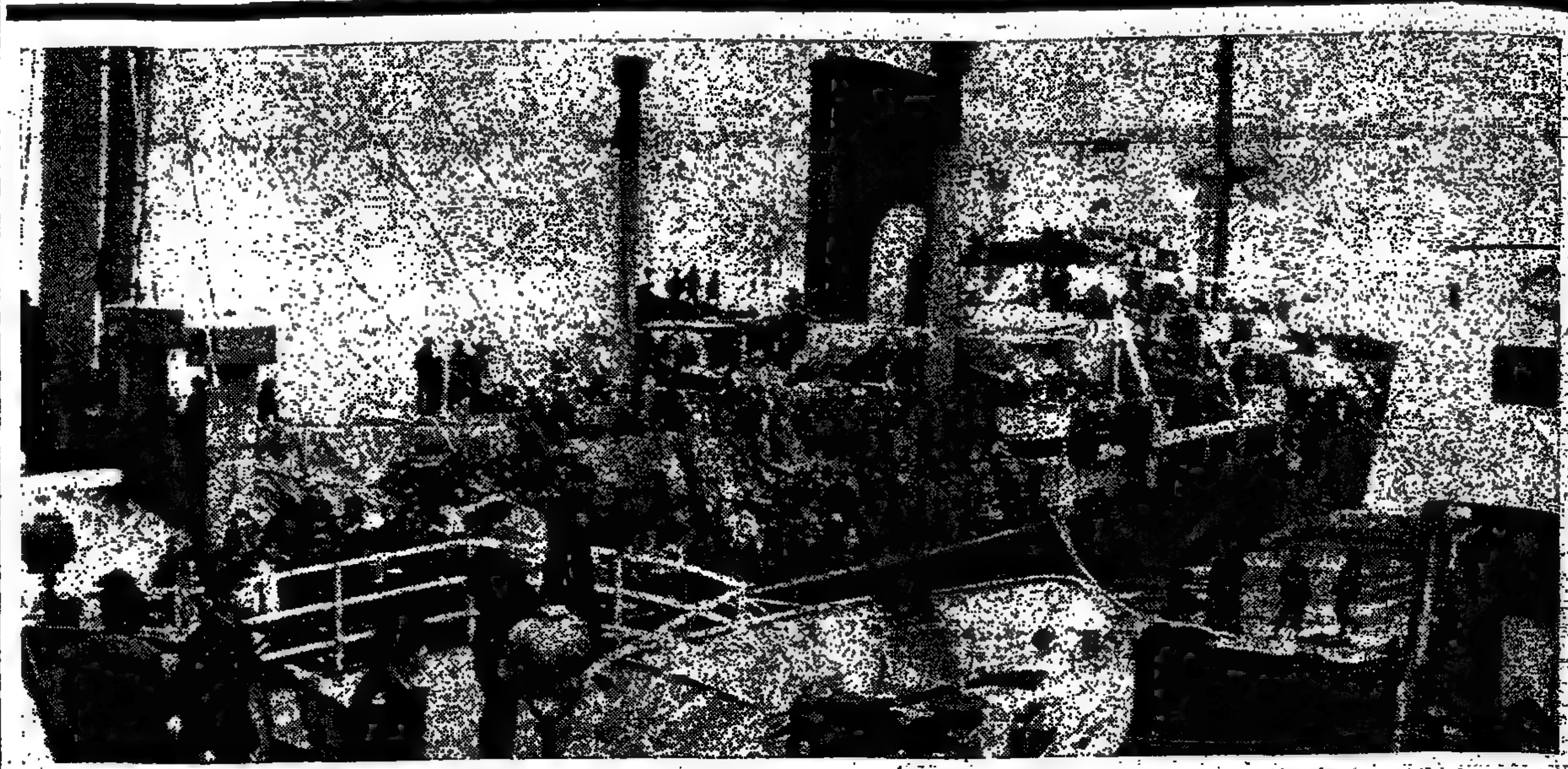
Since his wife was expecting the birth of their first *child*, he decided to suspend his socialist principles and steal one component from the factory each day to assemble a pram at home. Sadly, the *scheme* came to naught. As he confided to a friend: "It's no good—no matter how I put the pieces together, it always comes out as a *machine gun.*"

Observer

FINANCIAL TIMES SURVEY

Monday July 9 1979

HONG KONG



Under the watchful eyes of the Hong Kong Marine Police (left foreground), the Vietnamese refugees aboard the "Huey Fong" finally meet an end to their 28-day ordeal outside Hong Kong waters.

Following an upsurge of optimism over Hong Kong's long-term future, the colony has since shown considerable resilience and flexibility in the face of a massive refugee/migration challenge. But a still more pressing problem is the need to keep the colony's economy moving through some choppy waters immediately ahead.

Choppy waters ahead

By PHILIP BOWRING

HONG KONG has long enjoyed and profited from the freedom from the passions of international affairs accorded by its status as a political eunuch. But recent months have shown just how little control Hong Kong has over its own destiny.

Confronted by what, for a while, seemed a tidal wave of immigrants, legal and illegal, from China, it could do little but appeal to China to relieve the pressure. And confronted with a massive flow of boat refugees from Vietnam it realised that its curious international status made it impossible to follow the same callous policies towards the refugees as its South-East Asian neighbours—even assuming that a Chinese refugee community had it in its heart to condemn the refugees to likely death at sea, by pushing them away.

Ironically, the immigrant and refugee issue followed hard on the heels of an upsurge of optimism about the long-term future of the colony flowing from China's more liberal internal situation and the enhanced importance it is now giving to foreign trade.

Just as ironically, the response to the refugee/migration challenge has shown up much that is best in Hong Kong—the resilience and flexibility by which an intensely overcrowded city can absorb into its economy and into its society tens of thousands of newcomers, with few apparent problems. Equally, the China euphoria had given a boost earlier to the speculative property fever which is a recurrent disease in Hong Kong, and fuelled an outburst of new-rich consumerism which was a joy to importers of items such as Mercedes-Benz cars and strobe lights for discotheques, but produced a huge and unsustainable trade deficit.

The human inflow crisis proved Hong Kong's powerlessness. But it perhaps has done more than anything in recent years to improve the City-State's image overseas, where it is still often presented as a fetid sweatshop, where a handful of colonial rulers and Chinese millionaires lord it over toiling millions of Chinese refugees. Its humanitarianism did not go unnoticed.

Its governor, Sir Murray Maclehose, in visits to Europe and the United States, proved an effective promoter of Hong Kong as a State facing a massive problem but refusing to be panicked. Many outsiders were amazed at the economy's apparent ability to handle the inflow without an increase in unemployment.

Coincidence

In fact, there was a fortuitous coincidence of an economic boom at the same time as the influx. Without the boom, the influx might have caused unemployment and social problems as newcomers and older residents competed for jobs. And without the influx of labour—most of the migrants are of working age—the overheating of the economy would have had more serious consequences than has so far been the case.

As it is, the influx issue has tended to overshadow the fact that Hong Kong will not find it easy to adjust to the sharply lower growth, particularly in money supply and credit necessary to get back to equilibrium, especially if the new oil crisis induces stagnation in Eastern markets. Both the government and the leading banks must take the blame for belated action to stem the overheating, which has led to a sharp fall in the local currency and taken price inflation into double figures.

The brighter side has been that the influx of workers has kept wage levels from rising so fast as to seriously jeopardise Hong Kong's external competitiveness, and replaced workers wooed away from export industries to local service and construction industries which, temporarily at least, may have been paying higher wage rates.

The problem for Hong Kong has been that the population influx has hit hard at just the areas of major concern where the colony was beginning to show major achievements—housing and education. However, much additional wealth the newcomers may create for the economy there are finite physical limits to the speed and volume with which new flats can be constructed to improve the housing conditions of the people. Overall educational standards and Hong Kong's ability to upgrade its industry, may also be affected by such a massive inflow of unskilled workers who mostly have a minimum of education.

So, just as Sir Murray Maclehose looks to be finally coming to the end of his governorship with a successful appearance on the world stage, he is also seeing setbacks in the field to which he has devoted his biggest efforts as governor: improving housing, education and social services, and generally knocking some of the harsher edges (including corruption) off Hong Kong's society.

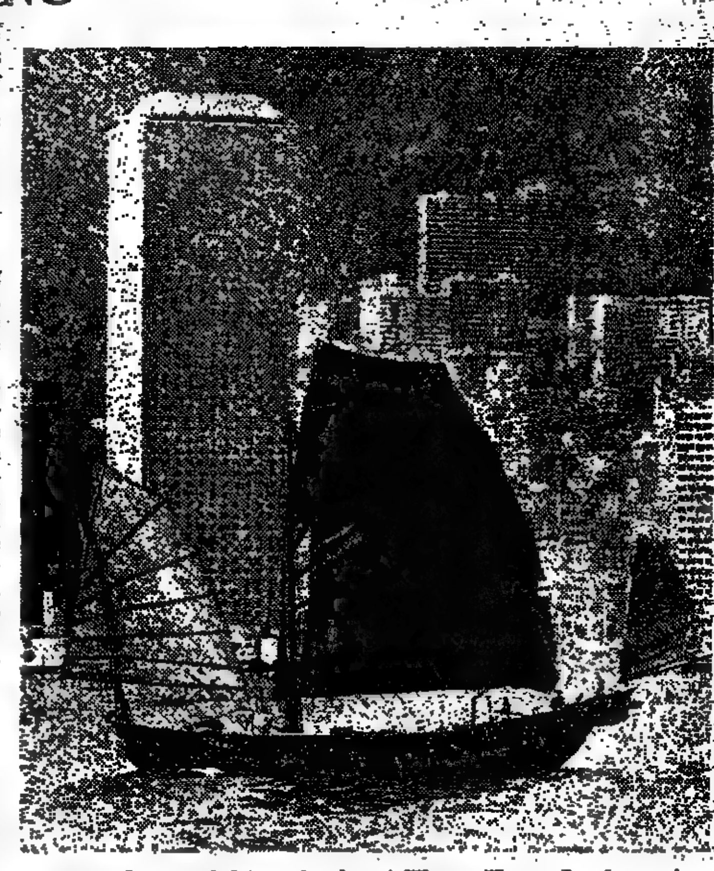
Sir Murray came into office in ilate 1971. His terms has already been extended three times, most recently for just six months—ending in early 1980—to tide the British Government over the election.

Perhaps the attention given to Hong Kong in recent months may help attract a person of strength and quality to a job which carries immense power and responsibility. The next governor will have to face the consequences of China's new outward-looking attitude for Hong Kong, and the question of finding some formula to provide a firm basis for the present system continuing beyond 1997.

As Hong Kong looks for more capital intensive industries, some formula will be needed if legalistic foreign investors are *not to be deterred.*

Sir Murray's governorship has coincided with a transformation of relations between Hong Kong and Peking—from the cool if correct days of the early 1970s, when memories of the Cultural Revolution disturbances were still fresh, to the positive warmth today. China is openly admiring Hong Kong as an example of modernisation at the same time as looking to it as a source of foreign exchange, and expertise and capital to help achieve its own modernisation.

But in the longer run the old rigidities in Hong Kong-China relations may prove no more difficult than managing a situation where *there is much closer* contact between the two.



Behind this fishing junk in Hong Kong harbour is seen the 52-storey Connaught Centre, Asia's tallest building.

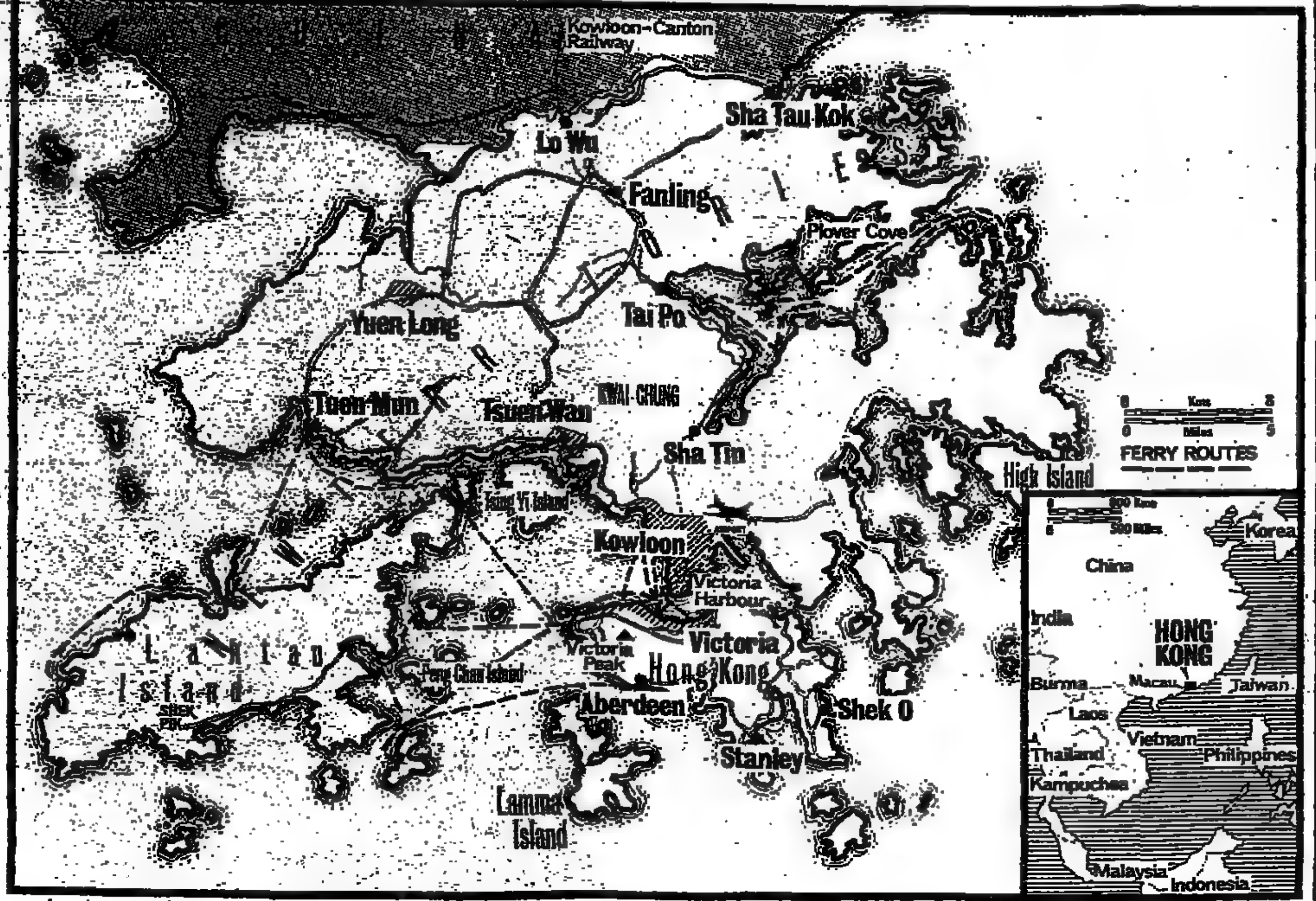
BASIC STATISTICS

Area	404 sq. miles
Population	c. 5m
GDP (Provisional Estimate)	HK$51.6bn
Per capita	HK$11,447
TRADE 1978	
Imports	HK$64.7bn
Exports	HK$44.9bn
Imports from UK	£362.4m
Exports to UK	£531.3m
Currency	£1=HK$11.1574

China's aim must be to maximise revenue from Hong Kong, perhaps by allowing a higher rate of immigration into the colony which would have a lasting impact on wages and living conditions in Hong Kong. Now that Chinese people hear more about Hong Kong, and as the leadership in China faces the task of delivering on some of its promises, China may not want to see a further widening of the gap in living standards between itself and the capitalist enclave.

But that may be unduly pessimistic. Historically, Hong Kong's economic achievements—on a per capita basis—have been at least as good as, for example, Singapore, which has almost nil immigration. Meanwhile, there is anyway a more pressing problem: to keep the economy moving though some choppy waters immediately ahead.

ON OTHER PAGES



Weighing the risks of expansion

THE ECONOMY

PHILIP BOWRING

HAVING SPENT three years proving that it can perform at least as well as the more Government-directed economies of Taiwan, South Korea and Singapore, Hong Kong is in the process of proving that a free-wheeling approach has its dangers too.

Even after allowances are made for the two recession years—1974 and 1975—that preceded it, the performance of the Hong Kong economy in the three years 1976 to 1978 was remarkable. Real GDP expanded by 16 per cent in 1976, 12 per cent in 1977 and 10 per cent last year.

In comparative terms it was a record three years for Hong Kong which placed it well ahead of Singapore, and at least on a par with South Korea and Taiwan—a singular achievement considering that part of South Korea's phenomenal growth is accounted for by the move of people from low-productivity agriculture to higher-productivity industry, a process which does not occur in already urbanised Hong Kong.

Nor are Hong Kong's GDP gains attributable to heavy investment in capital intensive industry such as heavy chemicals and synthetic fibres as in Taiwan. Hong Kong's gains have been due very much to increased productivity which has been more a result of greater skills than injected capital.

However, the growth rate has been a mixed blessing. The Government, manufacturing industry, and indeed anyone with an interest in the underlying stability of the economy would have been happier with two rather than three years of double-figure growth.

Impulse

The spending potential was generated by the export boom back in 1976 when exports jumped 28 per cent. It was a long time making itself felt, but the pent up consumerism finally made itself felt with increases in consumer demand of 17 and 16 per cent in 1977 and 1978 respectively. And it is an impulse which is proving very difficult to slow in the face of political optimism and the apparent failure of previous automatic correction mechanisms within the economy. But slow it must.

The boom in domestic demand has had important consequences. There has been a rapid widening in the visible trade deficit. Last year this reached HK$9.1bn, more than twice the previous record set in 1974 when Hong Kong was hit simultaneously by an export slump and sharp, oil-related slump and its terms of trade slipped only marginally.

In fact, Hong Kong's export performance was comparatively poor last year. The U.S. market was booming and Korea and Taiwan achieved growth rates roughly double that of Hong Kong. The villain was the domestic demand which caused a rise of 20 per cent in retained imports in real terms and diverted at least some of the available resources away from the export sector.

Such has been the momentum that despite attempts by the Government to restrain demand, primarily through exhortation and some modest monetary measures, an even bigger trade deficit is expected for 1979.

In his budget, Mr. Philip Haddon-Cave, the Financial Secretary, forecast a growth in real terms of 10 per cent for imports and 8 per cent for exports, implying a deficit of about HK$ 12bn. With figures available up to April, Mr. Haddon-Cave's deficit forecast is looking about right or perhaps a little low. For the first four months the deficit was HK$ 4.58bn. Domestic exports rose 37 per cent, re-exports 58 per cent and imports 43 per cent.

The latest figures are difficult to interpret with any accuracy owing to the recent violent fluctuations in the Hong Kong dollar exchange rate. Optimists take comfort from the fact that overall exports are now beginning, for the first time since 1976, to widen owing to a sharp rise in the value of total trade.

The fall in the value of the Hong Kong dollar may have worsened the terms of trade, but this trend will right itself as enhanced competitiveness is reflected in export demand.

A more pessimistic view is that buoyancy of exports will not last even despite improved competitiveness because of the supposedly impending U.S. recession and the uncertainty in other markets caused by the latest oil supply and price problems.

What is beyond reasonable dispute is that the current level of trade deficit cannot be supported for very much longer without another serious decline in the value of the currency.

The trade weighted exchange rate index at about 93 (1971=100) has fallen by 11 per cent over the past year and by 20 per cent from its early 1976 high. It briefly collapsed to 90 in April when jitters hit the local foreign exchange market. The decline is almost certain to mean a period of double-figure inflation; the impact on consumer prices would have been much worse already but for chance favourable movements in prices of rice and some other foods.

The visible deficit will have been partly offset by services earnings. But by how much is not at all clear. Earnings from tourism have continued to increase rapidly—the number of visitors last year rose 17 per cent. But expenditure by Hong Kong tourists abroad has risen rapidly, too.

In the Government's (admittedly far from accurate) estimates, Hong Kong was only barely in the black on travel account in 1978—expenditure of HK$ 4.15bn and earnings of 4.67bn. That could even mean a red entry in 1978 because of the upsurge in travel to China. There has been also a surge in transfers of money to China.

Government estimates of income (a notional figure of 5 per cent of total exports of accounted goods and services is added) probably vastly underestimates real earnings, especially from the still rapidly-growing financial services sector.

But there was undoubtedly a substantial overall current account deficit last year. Offsetting it was substantial capital inflow from foreign borrowings to finance the mass transit railway. And between March 1978 and 1979 there was a fall of more than HK$1bn in the apparent net foreign asset positions of banks in Hong Kong.

Symptoms

It has proved easier to describe the symptoms than the cause of Hong Kong's domestic boom. Construction spending was up 19 per cent in 1978 following a 32 per cent rise in 1977 and an unparalleled surge in car imports which increased the number of private cars on the road by nearly 20 per cent in just a year.

Government tends to blame the banks for pushing a buoyant economy into a dangerously overheated one. Bank advances have grown by 45 per cent over the past year. The private sector tends to blame the Government for its own spending surge, particularly the mass transit railway.

The Government in fact has accumulated surpluses of about HK$2.5bn over the past two years, but they have not had the deflationary impact that might have been expected because they have been kept mostly on deposit in Hong Kong rather than invested abroad. As a result, they have been available as a base for expanding bank credit.

The Government was in a cleft stick. To have expatriated the surpluses would have reduced credit creation, but also would have exacerbated the weakness of the Hong Kong dollar.

The current boom is the first that Hong Kong has had since it moved to a floating exchange rate in late 1974. Neither the Government nor anyone else had realised how much conditions had changed as a result. The big current account deficit, instead of acting to reduce money growth was actually found to be able to coexist with a very rapid growth of money and an even more rapid growth of credit.

The Government's own spending did not help matters. Having lagged way behind target in previous years owing to problems in implementing major capital projects, Government capital spending took off with a vengeance, rising 90 per cent in current prices in the fiscal year ending March 1979.

Meanwhile, expenditure on the mass transit railway—which must count as the public sector even though it is not consolidated in Government accounts—progressed at a high though stable level. Government is now trying to slow down its public works programme but that cannot be done quickly. Government total spending is budgeted to increase 13 per cent this year. That is about in line with GNP at current prices.

The Government's anti-overheating campaign has been aimed mainly at the banks. A combination of the leverage of the Government's huge deposits with exhortation from Mr. Haddon-Cave have helped push up the best lending rate to double the banks' best lending rate from late October to its current record 13 per cent.

However, even after several months of interest escalation, lending is only now just beginning to slow down. The ratio of loans to deposits of the banks has risen more than 80 per cent, compared with under 70 per cent a year ago.

Many banks clearly have had to rely on large borrowings from parents overseas or foreign inter-bank markets to maintain liquidity. There is an indication that banks have over-committed themselves to loans which have yet to be fully drawn down.

Sooner or later interest rates are likely to squeeze the property sector very severely. There is clearly a danger of incompleted building, forced sale and other hallmarks of the pricking of a property bubble. After some alarms earlier this year, the market is calm. But Mr. Haddon-Cave's warning that the longer adjustment was delayed the more painful it would be is still relevant.

So too is his general observation in his late-February Budget speech that the problems facing the economy were more severe than those facing it at the end of 1973 — the last time Hong Kong moved rapidly from boom to recession.

That does not mean another recession on 1974-75 lines. World conditions are less gloomy now than then but domestic problems may be more complex. The economy as a whole, and many individual businesses, are now more highly-geared than in the past.

Considering the strength of the domestic demand boom, inflationary pressures would have been much more severe than they have been but for the massive influx of people from China, legal and illegal.

Last year net immigration was around 100,000 and this year has been at an even higher rate, with most of the newcomers of working age. The influx has helped keep wage rates from rising insupportably fast. Average rates rose about 15 per cent in the year to last September, or 9 per cent in real terms. Taking into account the decline in the value of the Hong Kong dollar on a trade-weighted basis during the past year, Hong Kong has maintained, and possibly even improved, its international competitiveness.

Employment in manufacturing rose by 45,000 to 800,000 people between end 1977 and end 1978 despite the competition from both the services and construction sectors. Manufacturing employment grew by 6 per cent between end 1977 and end 1978. As a result Hong Kong so far is experiencing little if any difficulty absorbing the massive inflow of migrants during 1979.

However, there clearly are finite limits to what the labour markets can absorb. The slowdown in demand which must come about will reduce new employment opportunities. The textile and garment export sector are constrained by quota, and employment in them is rising only very slowly. Market outlets for other products are mixed, especially in the U.S.

Mr. Haddon-Cave's forecast of export growth of 7 per cent in real terms this year now looks as though it could be an underestimate. But an underestimate is also likely on consumer prices which he expected to rise 9 per cent. Though that would be easily the highest since 1974, the decline in the currency and the rate of wage increases point to a double-figure level. That conceivably could set off an inflationary wage spiral. However, so long as the labour market eases before long, that danger may not be great.

It remains one of Hong Kong's strengths that wages tend to follow labour demand rather than respond to price increases. To that extent at least, Hong Kong's feet remain firmly on the ground despite the euphoria of the past year.

TRADE 1979
(HK$m)

	First five months:	% change on corresponding period 1978	May alone:	% change on May, 1978
Imports	31,860	+ 36.4	6,894	+ 26
Exports	18,828	+ 33.4	4,552	+ 35
Re-exports	7,451	+ 53.4	1,656	+ 42.3

A direct express through-train passenger service from Guangzhou (Canton) is seen approaching its destination in Kowloon, Hong Kong. The train, with ten passenger coaches, operates one service each way, daily.

Two-way traffic building up

RELATIONS WITH CHINA

MELINDA LIU

HONG KONG, gateway to China. This cliche has traditionally inspired Western companies to set up offices and station analysts in Hong Kong, and to pay handsomely for a tedious monitoring of commercial to-ing and fro-ing across the border. The slightest whisper of deals being clinched would trigger full-scale commercial pilgrimages into China. An ongoing commercial relationship with Peking, it was once thought, could not exist without a strong Hong Kong connection.

Hong Kong's role as a physical gateway into China is almost certainly never likely to disappear. But its significance is losing ground these days to the concept of Hong Kong as a support base within the overall Chinese scheme. The view from the other side of the equation is becoming more evident — that Hong Kong is also a Chinese gateway to the outside, as well as a crucial factor in many projects planned on the Chinese side of the border.

As other cities forge air links with Chinese cities and commercial offices in Peking become a reality, Hong Kong's role as a geographic jumping-off point and monitoring station for China will diminish in relative importance. What will continue to proliferate, however, are the steadily increasing examples of Hong Kong participation in the neighbouring Chinese province Guangdong.

During the recent National People's Congress session held in Peking, delegates from Guangdong reported that business representatives from Hong Kong and the nearby Portuguese-administered territory of Macao had signed more than 300 contracts for manufacturing projects in the province. The contracts involve processing and assembly work, some of them utilising raw materials supplied by the foreign buyer.

Development

Moreover, earlier this year the areas directly adjacent to Hong Kong and Macao—called Shenzhen and Zhuhai respectively—were elevated by Peking to the status of special municipalities. The upshot of this move will be increased allocation of national investment and manpower to Shenzhen and Zhuhai, with the aim of developing them into foreign trade and tourism zones which will directly involve Hong Kong and Macao.

Hong Kong's role in Guangdong was also part of the message Chinese officials passed to Hong Kong Governor, Sir Murray Maclehose, during his trip to Peking earlier this year. Chinese Vice-Premier Deng Xiaoping requested Sir Murray to ask Hong Kong investors to "put their hearts at ease" in what was seen as the highest level assurance to date of Peking's interest in maintaining a healthy investment climate in Hong Kong.

At the same time Chinese authorities at all levels emphasised their hopes that Hong Kong would play an important role in China's development programme, particularly in the growth of neighbouring Guangdong Province.

Sir Murray said provincial planners from Guangdong were especially straightforward in expressing their belief that investment in Shenzhen, just across the border from Hong Kong's New Territories, would be particularly attractive to investors in Hong Kong. Featuring readily available land, labour and proximity to the British-administered territory, Shenzhen is likely to be China's model for a number of export-orientated zones to be developed throughout the country.

China has reportedly already spent nearly $4m on improving roads, power supply, railroads and water supplies in the predominantly rural area. These infrastructural improvements are intended to aid not only industrial development but also the creation of a tourist area in Shenzhen, which will attract 5,000 to 10,000 tourists daily from Hong Kong.

These ambitious plans envisage a wide range of facilities—from a hot springs spa to a resort beach—and according to Shenzhen officials are expected to help boost foreign exchange from tourism and export-oriented industrial projects to more than 300 per cent of present earnings by 1982. By that time income from fees paid by foreign companies for the processing of materials supplied from outside are expected to be more than 200 per cent the value of Shenzhen's total present industrial production.

Returning to Hong Kong from his China trip Sir Murray reported that the general Chinese plan is to enlist Hong Kong aid in developing Shenzhen in the areas of agriculture, light industry and tourism. Top priority will go to agriculture, particularly the provision of dairy produce, fruit, vegetables, pigs and fish for the Hong Kong market. Some of the projects involving foreign input which are already under way involve clothing yarn, shoes, flowers, luggage, handbags, toys, electronics assembly and poultry farming.

To Western companies enthralled by visions of integrated steel mills and other grandiose aspects of China's modernisation programme unveiled last year, Shenzhen's plans may seem very modest. But the blueprint for Shenzhen is a realistic reflection of Peking's readjusted development strategy, which was officially confirmed during the recent National People's Congress meeting.

In addition to the mounting evidence of China's warm welcome to Hong Kong input into Guangdong is the growing involvement of China's commercial interests in Hong Kong. In May the Hong Kong branch of the Bank of China made its debut as a lender in a commercial loan syndication when it signed an agreement to participate with a number of major world banks in a $42m syndicated loan to a subsidiary of Sun Hung Kai Securities of Hong Kong. Not long before that the Bank of China, its 13 Peking-controlled sister banks in the Colony and three affiliated insurance companies launched their first fully-fledged finance company called the China Development Finance Company (Hong Kong).

Its task is not only to finance prospects in China such as industrial ventures in Shenzhen but also to achieve a familiarity and facility in the traditional activies of retail banking, foreign currency dealings and lending money locally.

Moreover, although Western companies are still awaiting the first joint equity venture in China involving foreign participation, Peking-controlled interests in Hong Kong took the step last summer to enter into their first joint equity arrangement—a residential and commercial construction project in the New Territories—with Western groups. Eighty per cent of the project is held by Peking-controlled Kiu Kwong Investment and Sun Company, with two leading hongs, Hongkong Land and Jardine Matheson, holding 15 per cent and 5 per cent respectively.

Despite these indications of escalating interaction on both sides of the border, however, a tripartite silence from Peking, London and Hong Kong continues to shroud the official status of the New Territories lease. Under this 1898 agreement the Chinese Imperial Government leased the New Territories to Britain for 99 years. Although the Communist Chinese regime has claimed to not recognise the 19th-century document the 1997 expiry date still triggers an occasional anxious thought among Western investors.

Even so, the increasingly permeable border lends more and more support to the philosophy of ignoring the lease. One of Hong Kong's leading optimists on this issue is Sir Lawrence Kadoorie, chairman of China Light and Power, which began selling power to Guangdong earlier this year. He has repeatedly stressed that Hong Kong is really a suburb of China and offers this formula for the years between now and 1997: "A common-sense, imperceptible, slow merging of interests."

هكذامن الأحول

Moves to tackle trade deficit

RELATIONS WITH JAPAN

CHARLES SMITH

HONG KONG'S trade imbalance with Japan is considerably larger than Britain's and has been growing at least as fast. But the context within which the two Asian countries conduct their relations is so different from that of UK-Japan relations that Hong Kong has only recently started to focus on its Japanese deficit as a serious problem.

Japan has been the No 1 exporter to Hong Kong for most of the past decade, supplying it with essential industrial raw materials and with ears (as well as a portion of the equipment required for the Mass Transit scheme). Hong Kong sells textiles, toys, watches and other light industrial products to Japan, but has found the Japanese market far harder to penetrate than the markets of Europe and North America. As a result Japan ranks only fourth among Hong Kong's overseas customers, far behind the leading three (U.S., West Germany and Britain).

Hong Kong's bilateral deficit with Japan exceeded \$1bn in 1974 and passed the \$2.5bn level in 1978 (when Japan's exports were worth more than six times as much as its imports). Figures for the first four months of 1979 suggest that although Hong Kong exports have been growing fast, the deficit is still widening slightly. It could exceed \$2.6bn for the year as a whole if current trends continue.

Imports

The Hong Kong Government's position on bilateral relations with Japan is that the deficit can and should be reduced but that artificially cutting back on Japanese imports is not the way to do it. This makes sense in view of Hong Kong's total dependence on trade as a way of life and on Japan as a source of raw materials for its industry. Since imports from Japan cannot be artificially reduced without damaging the local economy, efforts at reducing the trade imbalance must focus on the promotion of Hong Kong exports to Japan—and this is precisely what the Colony has been trying to do harder than ever since the end of last year.

In November 1978, Hong Kong despatched a top level economic mission to Tokyo, led by the Governor and including the chairmen of many top local companies such as Jardine Matheson, the Hong Kong Bank and the World Wide Shipping group. The mission told its Japanese hosts of Hong Kong's concern at the trade imbalance problem and suggested that one way to solve it might be for Japanese industry to step up its investments in the Colony (on the theory that Japanese investments in neighbouring Asian countries have tended to generate exports from those countries to Japan).

Imbalance

The Hong Kong Government's attempt to link investments with exports seems to have been questioned in Japan but its expressions of concern about the trade imbalance as such gained a sympathetic hearing. On the suggestion of the Japanese Foreign Minister, Mr. Sunao Sonoda, the two countries established a Hong Kong Japan Business Co-operation Committee late last year.

The committee met for the first time in March and is expected to father a series of sub-groups which will look at specific problems limiting access for Hong Kong products to the Japanese market. The level of Japanese membership of the committee (including presidents or chairmen of companies such as Toray, the Tokyu Group and Sumitomo Chemical) suggests that Japan at least wishes to appear to be taking a positive attitude towards the Hong Kong trade problem.

Hong Kong's big success in sales to Japan has been in the area of fur clothing (an achievement which has astonished the Colony's own exporters who never apparently made any special effort to develop the market). Its sales of non-fur clothing on the other hand have been extremely disappointing, both in relation to sales in Western markets and when compared with the sales to Japan of competitors such as Taiwan, Korea and (increasingly) mainly China.

Hong Kong's Government believes that this lack of success (which has left Hong Kong with a net deficit on its Japan textile trade) can be put down to the fact that Japan has only 20 or so textile investments in the Colony compared with the several hundred in Korea. In Japan the explanation more usually offered is that small Japanese textile trading houses which have close connections with opposite numbers in Korea and Taiwan simply do not happen to have the same links with textile producers in Hong Kong.

The attitude of Japanese investors towards Hong Kong appears to be that the cost of land in the colony is so high that only specialised types of investment are likely to be profitable. The types concerned have to be capable of being accommodated in the "flatbed" factories that make up much of Hong Kong's industrial area and should preferably also demand a high standard of skilled manual labour.

Example

Watchmaking is the classic instance of such an industry and it is no accident that top Japanese watch manufacturers such as Seiko, do have a presence in Hong Kong. More "basic" types of electronics manufacture such as colour TV assembly are seen by the Japanese as being more suitably accommodated in Singapore, Taiwan or Korea.

Trade and investment are not the only links between Japan and Hong Kong. Japanese banks are well represented in the Hong Kong financial community and Hong Kong ranks as the third most important source of investment in Japanese securities (after the U.S. and Western Europe). Last but not least Japanese tourists account for roughly a quarter of all foreign visitors to Hong Kong. Trade, however, remains the key strand in the relationship and the one which stands in most need of adjustment.

Duty-free prices are a major attraction for overseas visitors. Above: Tourists admire jade carvings in a typical Chinese shop.

The shops do best

TOURISM

DANNY NELSON

A MIDNIGHT scramble up 60-ft towers made out of buns and bamboo scaffolding is the centrepiece of Hong Kong's most unusual festival. But only a handful of tourists watch the bizarre event, because it is not widely publicised and takes place on an island with virtually no accommodation for visitors and no late-night ferry service.

So, the colony's 2m visitors continue to miss such colourful events—and spend 64 per cent of their HK\$5,100m a year on shopping.

The drawbacks are clear. Many of the goods purchased are imported, which must be taken into account when assessing the industry's real earnings. And shopping sprees are vulnerable to currency fluctuations, as was shown in 1977-78 when per capita shopping expenditure fell almost 10 per cent, as currencies of some major markets weakened against the Hong Kong dollar.

There is, of course, an element of swings and roundabouts in this, for in the same year expenditure by Japanese tourists—the second largest group—rose as the yen appreciated against the Hong Kong dollar.

Jewellery tops the list of shopping items for all visitors, with HK\$618m (HK\$459m in 1977); followed by clothes, HK\$520m; watches and clocks, HK\$364m; cameras and optical goods, HK\$243m; and leather goods, HK\$219m.

Prices have risen rapidly in recent months (the shopping index rose 13.4 per cent in 1978) and, increasingly, visitors can be heard saying that prices are higher than at home. But Hong Kong continues to offer a wide range of goods in a conveniently compact area, and the range is particularly important for tourists from South-East Asia, now the single largest source of visitors.

The South-East Asians, the biggest section of which are overseas Chinese, have their own expenditure patterns. For instance, they take tours even less than other groups (tours account for only 2.6 per cent of total tourist expenditure), they are predominantly male, slightly younger than other visitors and spend more of their money on entertainment and eating out. (They also have a bigger proportion of what Hong Kong's statistics show as "untraceable expenditure" which appears to embrace social events, involving personal contact.)

Their rise to dominance in the industry has been confirmed this year, with South-East Asian arrivals showing a 44 per cent increase over first quarter of 1978 to 141,000. Japanese totalled 148,000, but that represents a decline of 1 per cent over the two quarters. The Japanese, however, remain by far the biggest spenders.

A by-product problem for the Tourist Association is the perennial difficulty of rudeness, especially among shopkeepers. This is a general problem, but it is particularly acue for South-East Asians because, for many Hong Kong Chinese, tourism is still equated with Americans, Europeans and Australians.

Optimism

John Pain, HKTA executive director, says a recent campaign was the most successful yet, but even if his optimism is justified, there is still a long way to go.

The steady increase in visitors has meant a boom for the hotel industry with the occupancy rate in January-March running at 91 per cent. Several new establishments are under construction, but the maintenance of the recent growth rates in arrivals (17 per cent last year) would rapidly eat into the new capacity.

The spin-off from the growing number of visitors to China, one quarter of whom go through Hong Kong, should ensure a high rate of increase. There is a danger that as word of overcrowding spreads around, agents will ignore Hong Kong in favour of neighbouring capitals with rooms to spare.

The last big jump in the number of rooms was in 1973-1974, and the industry has been content to let occupancy rates rise since then. Estimates indicate an increase from 14,168 in 1978 to 21,267 in 1982. Forecasts are notoriously difficult in Hong Kong, however, because of the flexibility of the development companies.

At the end of last year, for instance, Hotel Federal, a local group, dropped plans for a hotel in favour of a commercial building because profits can be made in two or three years through selling an office block compared with between eight and 10 for operating a hotel.

At the time of the Hotel Federal announcement, it was reckoned that the cost of building a good class hotel room stood at \$50,000, excluding land costs at around \$1,500 a square foot.

In peak periods the situation is acute, and there have been incidents of groups sleeping in hotel lobbies, and even in a hotel sauna.

Few other new tourist projects are in sight of completion, with the exception of the Sung Dynasty village, a living museum which could appeal to both Asian and European visitors and help the industry in its constant search for ways of increasing average length of stay (currently, 3.9 days).

The village has taken four years and HK\$15m to build. At HK\$70 (with lunch) and HK\$50 (snack), tours will not be cheap, but great care has been taken over authenticity — the intricate interior wood carving involved 100 men, about one quarter of all such craftsmen available in Hong Kong.

But the real crunch for the industry will come when the capacity of Hong Kong's only airport can be squeezed no further. This will occur in the mid-1980s, and if another airport is not in operation by then —either across the border in Canton or on Lantau Island — tourist arrivals are likely to be the first to be curbed.

Attitudes have improved

RELATIONS WITH BRITAIN

DAVID DODWELL

HONG KONG and Britain complain constantly about each other, but behind the bickering a very special relationship exists both at the level of trade and in political terms.

As Britain's leasehold on this tiny Colony shortens, so one single reality glares more starkly before the British and Hong Kong governments: Hong Kong stays British only so long as China wills it.

Hong Kong's Governor, Sir Murray MacLehose, recently acknowledged this fact: "With the consolidation of China as a great power and the withering of Britain's power in the Far East, it is inconceivable that this Colony should exist against China's will. Quite simply, Hong Kong continues to exist because China wants it to."

As Britain's colonial head in Hong Kong, Sir Murray has done a great deal to improve relations with China—and to convince the Chinese that their best interests are served by leaving Hong Kong free and prosperous. Sir Murray's official visit to Peking in April was the climax to years of patient bridge building: such a visit would have been inconceivable 10 years ago.

Sir Murray's tenure as Governor has been extended three times, and he is now due to retire in April next year. A further extension is unlikely, and the British Government must be thinking hard about a successor.

Sir Murray will be a tough man to follow. He will be remembered not just for his "great leap forward" in relations with China, but as an excellent administrator and as the instigator of far-reaching social reforms. He has become renowned for his leading role in broadening public access to health services, better education facilities and improved public housing. He has pressed hard for a shorter working week, better working conditions and more sports and leisure facilities. He is also closely linked with firm action taken against corruption in Hong Kong. People mystically refer to his charisma—most call it "gravitas."

As for a successor, one option is certainly not open: he (or she?) will not be local and will not be Chinese. Communist China has come to terms with the anachronism of British colonial control of Hong Kong, but any sign of a reversion to local Chinese rule will make its "laissez faire" attitude increasingly hard to adhere to. As one close aide to Sir Murray noted: "With Taiwan on the sidelines, China finds it extremely difficult to cope with the idea of two Chinas: the idea of three Chinas would be intolerable."

Successor

Sir Murray is inevitably coy about possible successors, and it is probably fair to assume that the new Conservative Government in Britain has more pressing issues on its plate at the moment. By November, however, a new choice will be imminent.

Even now, there are certain broad requirements which make the list of possible successors very short: Hong Kong is no longer a small economy. With a total trade of about £11.7bn in 1978, it is in the big league of world economies. So any new Governor will have to have a sound international reputation. He will have to be familiar with the affairs of East Asia, and have sound experience of China in particular. He will also have to follow in Sir Murray's steps as a man of "gravitas."

One anachronism which a new Governor will probably have to tackle is that of the colonial administration which still survives in Hong Kong. This still relies heavily on expatriate workers, mainly from Britain, who are in many cases widely resented by the local Chinese population.

A significant expatriate workforce is justified on the grounds that the Communist Chinese would be unhappy to see too much political clout devolve to locals: again the fear of three Chinas rises to the surface.

But as an increasingly large proportion of Hong Kong's Chinese population completes secondary and tertiary education, and as the British colonial service withers at the roots, so the case for employing expatriates rather than Chinese to perform many senior administrative jobs in government becomes increasingly flimsy. The perks that go to expatriates—mainly in the form of housing assistance—are increasingly resented when locals feel that they themselves could do the same jobs better.

When most British people think of Hong Kong—and vice versa—they probably do not think of the political and colonial links, however: first and foremost they will think of trade. It was trading prospects which first attracted Britain to Hong Kong, and trading links still dominate today.

Britain is Hong Kong's third largest export market, behind the United States and West Germany. Britain imported HK$3.87bn worth of Hong Kong exports in 1978—9.5 per cent of Hong Kong's total exports. Hong Kong is Britain's second largest market in Asia, behind Japan. This tiny colony of about 5m people imported British goods worth HK$2.97bn in 1978—about 4.7 per cent of total imports.

But trade relations have soured in recent years. Hong Kong traders suspect Britain as a prime mover behind the demands for protectionism inside the European Economic Community, while Britain's traders point to Hong Kong's growing trade surplus with Britain and insist that the Hong Kong Government does more to redress the balance in bilateral trade.

It is true that the protectionist lobby is powerful in Britain — particularly in the textile industry which is so dear to the hearts of Hong Kong traders. It is also true that the British Government strongly pushed for global limits on the import of certain goods into the EEC. But beyond this, Britain's Senior Trade Commissioner in Hong Kong, Mr. Derek March, insists that Britain has been an active defendant of Hong Kong's trading interests. He argues that Hong Kong's aggrieved traders should be thankful that the British Government—along with other European governments—resisted so many of the demands made by the protectionist lobby at home.

In fact, Hong Kong's traders have not conspicuously suffered as a result of quotas imposed on exports to the EEC and the United States. The quotas applied to the quantity of items exported to the EEC, and not their value. So by improving quality, traders have been able to improve profit margins while the volume of exports has remained static.

They have also circumvented quotas by expanding exports of goods not covered by them: for example, fur and leather garments—not restricted by any quotas—have been boom sectors for exporters over the past year. So in 1978, the value of Hong Kong's exports to Britain rose by 28 per cent: the value of textile, cloth and yarn exports rose by 26 per cent. Neither figure implies that Hong Kong is suffering gravely as a result of protectionism.

Mr. March bluntly points out: "Hong Kong can't expect to be treated like a tiny colonial exporter any more. With an overall trade of HK$117bn in 1978, it is a major international economy. In the first quarter of 1979, exports to Britain rose by over 80 per cent, while Hong Kong is now the 29th largest economy in the world. It can no longer expect to be treated with kid gloves."

Complacent

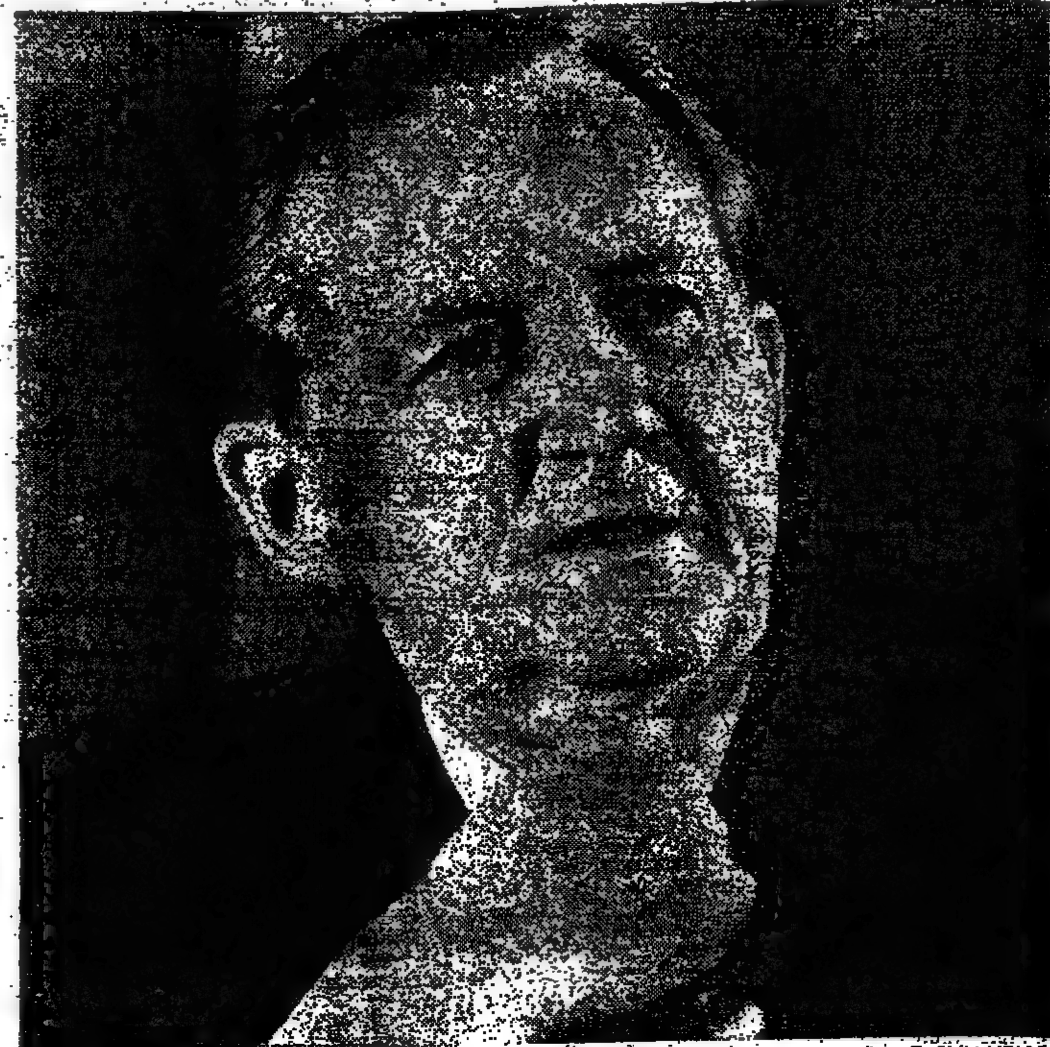
Hong Kong's businessmen give short shrift to complaints that the Colony imports too few British products: they claim that British businessmen have for too long been complacent about the Hong Kong market, taking it very much for granted.

Mr. David Jeaffreson, Hong Kong's Economic Services secretary, is blunt: "Quite frankly, the British attitude to trade with Hong Kong was quite disgraceful. They were just not trying very hard."

Mr. March accepts this criticism in large part—but claims that things have begun to change in the past two years. In this period, British exports to Hong Kong have leapt by 76 per cent, with British companies scooping three major contracts worth around HK$4bn. GEC is to supply a power generating plant to the Kowloon Electric Supply Company: Balfour Beatty is to build a transmission line for China Light and Power: and the Mass Transit Railway, due to start operation in October, will use British-built rolling stock.

Mr. March adds: "Only 4.5 per cent of Hong Kong's total imports come from Britain—and that's not good enough. More British businessmen should realise that Hong Kong is a straightforward market—and by that I don't mean easy. It is big by any standards, with no import controls, no exchange controls, with English as the business language. And what's more there's a great deal of sympathy for us British.

"I ask British businessmen when they last looked at the Hong Kong market. In 1958 total imports were just HK$4.56bn. In 20 years they have grown to [illegible]. That means Hong Kong must be a market worth talking about."



Sir Murray MacLehose, whose tenure of office as Governor General of Hong Kong has been extended three times, addresses a Press conference in London recently. As Britain's colonial head in Hong Kong, he has done a great deal to improve relations with China.

Tighter regulations on money supply

BANKING

PHILIP BOWRING

AFTER SEVERAL years of relative quiet the domestic banking scene in Hong Kong has recently been undergoing some sharp changes in a variety of directions.

There is a change in relationship between the banking industry and the Government, and one between the local banks, led by the Hongkong and Shanghai Banking Corporation, and the foreign banks. In the background is the outward-looking policy of China—where the consequences, if any, for the banking industry cannot yet be easily determined.

The most important change has been that the Government has decided, against its will but in accordance with its better judgment, that money is too important a matter to be left entirely to bankers. From May last the Government acquired for the first time powers which would effectively allow it to exercise a strong direct influence on money supply. It amended the Banking Ordinance, the law which governs bank operations, to redefine its own short-term deposits (up to seven days) with the banks as interbank deposits requiring 100 per cent liquidity cover rather than ordinary deposits requiring only 25 per cent cover.

This apparently minor technical change was actually a radical step towards using the Banking Ordinance not just as a means of prudent supervision of individual banks but of influencing the rate of growth of money supply and the behaviour of interest rates. Government deposits currently account for some 9 per cent of the banks' Hong Kong dollar deposits totalling HK$70bn. Shifting between long and short term can have a powerful impact on the need for liquidity of the banking system in general and thus its ability to increase credit. The Government took this power because it came to realise that it had some responsibility for trying to ensure a degree of monetary stability—but that mere exhortation to the banks to do what the Government deemed desirable was not sufficient.

Chided

Early in the second half of 1978 the Government began to get worried about the continuing rapid growth of credit, which it considered was leading to overheating of the economy and weakening of the balance of payments.

In September the Financial Secretary, Mr. Philip Haddon-Cave, publicly chided the banks for not raising interest rates to cool off demand, which was especially strong in the property sector. But nothing happened. Upward movement in rates only started after the Government moved to neutralise part of its own Hong Kong dollar balances through a swap agreement, by which it acquired foreign assets without having to depress further the exchange rate by selling HK dollars. Thus began a dramatic escalation in interest rates. By May the agreed best lending rate of the two leading banks had reached a record 13 per cent, more than double what it had been just six months before.

The underlying reason for the rise was not difficult to find. Bank credit for the first quarter of 1979 has consistently been more than 40 per cent higher than a year previously.

Loans grew 3.7 per cent in April to HK$60.1bn, where they are 46 per cent above the same month in 1978. On an annualised basis the rate of growth is still far too high and in late June the chairman of the Exchange Banks Association urged members to show caution in new lending. However, they made such substantial loan commitments last year that rapid growth may continue until earlier approvals have been drawn down.

The massive trade deficit which has been a major consequence of the money growth spurred a run on the Hong Kong dollar in April, forcing a further upward rise in interest rates. At one time the local currency collapsed to HK$5.30 to the U.S. dollar and its trade-weighted index to 90 (December, 1971 = 100) before recovering to around HK$5.09 at the end of June, with the index at 90. Two years ago the index was at 115.

Hong Kong's old system of automatic adjustment was found not to be working under a floating exchange rate system. Under a fixed rate a current account deficit contracted money supply. But now—at least in theory—credit could go on being created indefinitely.

The Government rejects the notion that a central bank is needed to control the situation. But it is gradually expanding the role of the monetary affairs branch which manages the Government's very large reserve assets and thus can be a major influence ton both money supply and the exchange rate.

Credit in fact has expanded very much faster than money supply. Bank deposits increased only 25 per cent in the year to end April, when the loans-to-deposits ratio reached a near record 82.2 per cent against 90.9 per cent a year earlier. Average liquidity, however, between the two periods remained fairly steady in the 45 to 46 per cent range. The reason for this apparent discrepancy is that liquidity can readily be provided through offshore interbank transactions.

Meanwhile there was substantial capital inflow through the banking system, helping to sustain lending and finance. The large current account deficit (the trade deficit in 1978 was a record HK$9bn and is forecast to hit HK$12bn this year) apparent net foreign assets of Hong Kong banks fell from HK$17bn to HK$15bn over the year to March last.

BANKING STATISTICS

(HK$bn)	March '78	March '79
Demand deposits	12.4	15.5
Time deposits	21.8	30.1
Savings deposits	21.8	24.3
Due to banks abroad	39.2	57.9
Other liabilities	10.9	16.7
Loans in Hong Kong	39.8	57.9
Loans abroad	18.4	18.2
Due from banks abroad	37.7	49.5
Other assets	10.1	17.7

The lending spree was probably helped along by the liberalisation of the issue of banking licences. Until a year ago only one new licence had been issued since the 1965 banking crisis. But the Government changed its policy to allow in, on a selective basis, big foreign banks. Some 30 new licences have been granted so far. Many have gone to banks which previously had finance companies and representative offices. Most of the newcomers are not especially interested in retail business.

But their arrival, coinciding as it has with euphoria over trade and finance with China, helped swell Hong Kong dollar lending. It also increased demand for funds from the interbank market. As a result the nature and role of the interbank market, not for the first time, became a bone of contention between local and foreign banks.

For much of the past year interest rates in the interbank market have been above the best lending rate. This has seriously squeezed the profits of those banks which have relied on the interbank market for their funding. They have tended to claim that local banks have been deliberately squeezing them. The locals reply that the foreigner should make more effort to establish larger deposits bases through branch networks. They say the local rate setting cartel aims to try to keep rates to the public reasonably stable and that interbank rates are naturally more volatile for long periods. In 1976 and 1977, the locals argue, interbank rates were very low.

Merits

Whatever the merits of the various claims, shortage of interbank funds is driving the foreign banks into new efforts to raise HK dollars. Most recently, Citibank launched the first bankers acceptances seen in Hong Kong. They are denominated in units of HK$10,000, which makes them accessible to smaller investors. They have a three-month maturity and for technical reasons do not suffer interest tax. Interest is pitched higher than on time deposits but below either interbank rate or the rates offered by finance companies.

There have also been a number of issues of Certificates of Deposit (CDS) of various sorts—some fixed rate, some floating rate, some linked to best lending rate, others following finance company rates and, most recently, others linked to high-flying interbank rates. But the diversity of the instruments has not helped the development of a secondary market in them.

The position is complicated by the diverse group of operations which come under the deposit-taking heading—consumer and mortgage finance, share dealing and discounting of post-dated cheques.

Most likely the ratios will be linked to the average maturity of domestic deposit. (They will not affect the activity of the major banks, banks which use Hong Kong deposit-taking companies as channels for international syndicated loans). The key question, however, may not be the levels of liquidity required but the definition of that liquidity. If it is made broader than that applying to banks—for example, to include negotiable CDs or bank accepted bills—it would open up new possibilities for development of the local money market.

Official sources suggest that the deposit-taking companies—of which there are some 230—may not be as badly in need of supervision as some jealous bankers have suggested. There was particular concern about them late last year when there was a run on the largest of them all, Sun Hung Kai Finance (SHKF), a subsidiary of Sun Hung Kai Securities, a diversified financial group which is inter alia the largest stockbroker in Hong Kong.

SHK lost more than 20 per cent of its 600m deposits in a few days. Big standby lines of credit had to be provided by the Hong Kong and Shanghai Bank and Paribas, the French group which earlier in the year bought a minority stake in SHK, and the Financial Secretary had to put the Government's own imprimatur on SHK's solvency.

There were fears at the time of a snowballing collapse of share and property prices leading to big problems for the financial sector generally. That might yet happen. But in fact there are few finance companies which actively bid for public deposits. Most of those which do are subsidiaries of licensed banks.

Loans

The total amount loaned in Hong Kong by the deposit-taking companies at end-March last was only HK$10.3bn, compared with their total assets of HK$54.9bn.

Although no comparative figures are available before 1979 it seems likely that the deposit-taking companies' overall business may stagnate as offshore business is switched into branch operations following the grant of licences to big foreign banks.

The choice between lending through a branch of subsidiary is largely determined by the lending institution's worldwide tax and administrative considerations. What is not clear is whether there is much advantage one way or the other relative to Hong Kong's own new rules on taxation of profits from interest on offshore transactions.

When first introduced in the 1978 budget the new definitions produced howls of outrage from many bankers and suggestions that business would go elsewhere. Though the Inland Revenue has issued guidelines on the tax there is still some uncertainty as to its practical application.

Clearly it has not caused any exodus of bankers. But there has been some reluctance to put loans through the books of a Hong Kong branch. Loans abroad by Hong Kong banks fell from HK$19.6bn in February 1978, the month of the tax announcement, to HK$15.8bn in August. They have started rising again and were back to HK$18.7bn in April. Any worries foreign bankers may have had about the wisdom of operating from Hong Kong because of the tax have been largely overshadowed by the optimism over opportunities for lending to China.

Meanwhile, the irony of the situation is that while China is gearing up to borrow billions of dollars it was the Bank of China which in April cut interest rates just at the time the Hong Kong dollar was under greatest pressure.

Another recent innovation in the money market includes short-term paper issued by the Government-owned Mass Transit Railway Corporation.

But the Government itself remains unwilling to issue its own paper as a means—not of borrowing, which it does not need—but of providing a liquid asset instrument for the local money market. At present almost the only available Hong Kong dollar liquid asset other than cash is interbank deposits. It is possible, however, that that situation could change before long.

Thriving on uncertainty

TRADE

DAVID DODWELL

HONG KONG'S traders seem to thrive on uncertainty—but it has taken a cool nerve to cope with the uncertainties of the past 12 months.

Accelerating inflation, rising wage costs and an increasing appetite for domestic consumption has prompted no less than the Financial Secretary Philip Haddon-Cave to warn gravely that the economy is "overheating." And at the root of it all is supposed to be a deteriorating visible trade balance.

The faint of heart also bite their nails over protectionist murmurings from Europe and the U.S., and over a recession which is expected in the U.S. as energy prices soar once again. They point out that Hong Kong with no domestic market to support it, depends absolutely on thriving international trade for its wealth: if the world economy catches a cold, Hong Kong could die of pneumonia.

It is possible to take a completely different and much more optimistic perspective, however. While it is true that imports rose in 1978 by 29 per cent, the greater part of this increase was in machinery and raw materials needed for export industry—not in consumer items that would lead to higher inflation. At the same time, exports grew by 16 per cent—a growth rate that must be envied by many governments in the west.

Export growth is even more impressive when broken down into its component sectors. Textile exports—now subject to strictly applied quotas—increased by 7 per cent in value in 1978, while figures for the early part of 1979 imply a growth rate in excess of 40 per cent.

The United Kingdom—Hong Kong's third largest export market—imported 12 per cent more textiles in spite of intense protectionist undercurrents in the domestic textile industry, and indications for the early part of 1979 imply a startling 80 per cent increase in the value of textile imports.

Exports of toys, games and sporting equipment, worth HK$772m in the first four months of 1978, have risen by 49 per cent to HK$1,153m in the same period this year. Watch and clock exports have risen by 55 per cent to HK$995m in the same period.

The widely mooted recession in the U.S. is yet to manifest itself in Hong Kong's export figures: they rose by 11.6 per cent in 1978. David Jeaffreson, Hong Kong's Economic Services Secretary, claims that trade with the U.S. looks buoyant, at least until the autumn, and there is as yet no way of telling what will happen beyond then.

Benefits

Optimists also point to the benefits that are likely to come Hong Kong's way as China opens up to trade with the world: an estimated 30,000 businessmen passed through Hong Kong on their way to do business at the Canton Fair—and many will use Hong Kong as an operational base for trade inside China. Similarly, the U.S.-China trade accord signed by U.S. Commerce Secretary Juanita Kreps in Peking and Canton in May is likely to bring a substantial share of business Hong Kong's way—even if it is only used as a commercial and financial base for operations inside China.

Hong Kong's traders are right, however, to be cautious about the likely spin-off from trade with China. Worries over certain developments inside the Hong Kong economy are also justified: acute labour shortages have resulted in rapidly rising wage costs—which in turn have seriously eroded Hong Kong's competitive position in relation to adversaries like South Korea and Taiwan.

The shadow of protectionism also looms large over Hong Kong exporters: they are themselves dogmatically committed to the virtues of free trade and resent protectionism as a matter of principle. They feel that Western producers, jealous of Hong Kong's trading success, and unable to compete in a free market, prefer to hoist tariff walls rather than reorganise their own less efficient industries.

Hong Kong's exporters are particularly suspicious of Britain's role in the erection of tariff walls around the EEC: many believe that British trade officials acted as "agents provocateurs" inside the EEC, using the cloak of the EEC trade policy to disguise Britain's own urgent need to protect certain ailing sectors of industry—particularly textiles.

They also resent what they feel is growing British pressure to redress the imbalance in bilateral trade (Hong Kong's trade surplus with the UK was HK$1bn in 1978 out of a total trade of HK$6.99bn). The U.S., which run a HK$7.6bn deficit on visible trade with Hong Kong in 1978, seems much more sanguine about the imbalance.

Despite Hong Kong's protests, figures already quoted show that its exporters have successfully circumvented the constraints imposed on them in the form of quotas. The EEC put an upper limit on the number of cotton shirts and dresses (for example) that they could export to the Community. So Hong Kong traders simply raised the quality of the shirts and dresses they exported, boosting income by reaping higher profit margins on each item exported. They also diversified into fur and leather garments — because neither fur nor leather is subject to any quota.

Quotas imposed by the U.S. were attacked with similar panache, but it seems the end result will be that fresh quotas will be introduced: leather products, particularly shoes, may be next to feel curbs. The U.S. Government has advised the Hong Kong Government that quotas are inevitable unless the industry accepts self-imposed restraints.

In the face of these trading restraints, Hong Kong businessmen have begun to look seriously at new markets—particularly in Asia. The most tantalising unknown here is of course China.

The pace of China's modernisation is still uncertain—as is the extent to which the Chinese will draw upon foreign expertise and resources to achieve its newly defined economic goals. No matter what the outcome, the impact on Hong Kong can only be guessed at.

Hong Kong has always been indispensible to China—and vice versa. For China, Hong Kong is a sort of AC-DC converter, providing a medium through which its socialist economy can "plug in" to the capitalist world outside. China's "undercover" business in Hong Kong earns Chairman Hua Guofeng's Government around US$3½-4bn in foreign exchange every year.

It also offers socialist China a laboratory where it can watch capitalist enterprise in operation and can pick up those tricks of the capitalist trade needed for its own development. Japanese and U.S. contractors are known to have offered rock bottom prices to win project work in Hong Kong—particularly in the construction industry. This is because they know the Chinese will be able to see their equipment or technology at work and may be sufficiently impressed to order it for themselves.

For Hong Kong, China provides food. Hong Kong's food bill in 1978 was HK$8.2bn—and most of that came from China. China exports more to Hong Kong than even the U.S. Only the Japanese export more.

China's dramatic "four modernisations" plans have opened up two new areas of opportunity for Hong Kong—joint ventures and tourism.

Pragmatic

Both subjects were discussed with the Chinese by Sir Murray MacLehose, Hong Kong's widely respected governor, when he blazed a historic trail through Canton to Peking in April. On both counts, Sir Murray returned optimistic: the ever pragmatic Peking Government recognises that Hong Kong is most valuable to it while it is prospering, and seemed keen to point western businessmen through Hong Kong if they want to do business with the mainland.

A close aide to the Governor explained: "The thrust of the Chinese Government is quite clear: they need Hong Kong. It was not that they love Hong Kong—they were quite honest about that. But they wanted people to have confidence in the future of Hong Kong because that served their best interests."

Jimmy McGregor, director of Hong Kong's Chamber of Commerce, claims that 400 joint equity ventures have been established in China, or are close to completion. Many of these have been drawn up in Hong Kong by local businessmen, and many are set in the Shenzhen region in Hong Kong's immediate hinterland. The spin-off here for Hong Kong's trade could be immense.

Tourism could also be a big money spinner. The China Travel Bureau in Hong Kong has found enormous demand for visits to China. Most of the visitors are American or Australian, and all have large sums of foreign exchange to spend.

Potentially just as interesting is the development of the Hong Kong hinterland as a holiday playground for the Colony's increasingly affluent Chinese population. More than 750,000 Hong Kong Chinese visited their families in Canton over the Spring Festival in February, and many more of Hong Kong's 5m Chinese might be tempted by cheap holidays into the mainland. At present, anyone wanting to get away from the crowded Colony must travel to Singapore, the Philippines or even further afield.

Some argue that the development of the Chinese mainland may undermine industries that have been the bulwark of the Hong Kong economy — like textiles and low technology electronics. But as Hong Kong's economy becomes more sophisticated, so this fear seems less realistic. What is good for China looks likely to be equally good for Hong Kong.

The second — and most enigmatic Asian trading partner is Japan. The balance of trade between the two countries is so dramatically in Japan's favour that serious worries have been voiced by top Hong Kong trade officials. In 1978, Japan exported to Hong Kong goods worth HK$14.4bn — but imported just HK$1.85bn in return. Between 1977 and 1978 Japan boosted its exports to Hong Kong by HK$4.8bn—more than twice Hong Kong's total exports to Japan.

Hong Kong's worries were clearly put by David Jordan, director of the Trade, Industry and Commerce department: "We don't expect our trade with Japan ever to be in balance. But it seems very odd that we can't compete in Japan against countries we compete effectively with in other parts of the world. Japan Inc. seems so tied up."

Trade leaders think there is a close link betwen the level of Japanese investment in a country and the amount it imports from that country. So the current strategy is to attract as much Japanese investment as possible and hope that a better trade balance results.

One other aspect of Hong Kong's trade has so far not been mentioned — but has become a cornerstone. That is re-exports. These were worth HK$13.2bn in 1978—up by 34 per cent on 1977. The rate of growth in the early part of 1979 has been even more rapid—about 59 per cent. It is interesting to note that while Japan still ranks as the foremost re-export market, taking goods worth HK$2.3bn in 1978, China has leapt up the ranking during the early part of 1979. Re-exports to China soared from a negligible HK$23m by 322 per cent to HK$106m — implying an annual total of more than HK$1.2bn. But perhaps it is too early to read anything too significant into this trend.

Container chaos

SHIPPING

GEORGE LAURIAT

HONG KONG is South-east Asia's most complete shipping centre, encompassing the traditional regional trade, China shipping, the container port and international shipping community composed of brokers, bankers, lawyers and some of the world's largest shipowners.

During 1978 the port had what one liner man called a "reasonable year" — meaning that ocean-going cargo movements were up slightly to 6.72m tons as compared with 6.3m tons in 1977 and that there were no crises of the magnitude of Japan Line's near collapse which had the colony's shipowners losing sleep.

In the past five years the container port has become the most important sector of the port. During 1978, 501,464 full teus (20-foot equivalents) accounting for 4.5m tons were discharged and another 519,326 loaded with 3.87m tons of cargo. These figures were marginally down on 1977 and it is likely that 1979 figures will be just slightly ahead of the mark.

The importance of containerisation is difficult to underestimate—Hong Kong is part of the light industrial goods belt stretching from Singapore, Hongkong, Taiwan and ending in South Korea and Japan. The box is ideally suited to Hong Kong's cargoes and it really is the only effective way for them to reach their main destinations in Europe and the United States.

However, conferences on the subject have proved continually to be a problem—with the Far Eastern Freight Conference's monopolistic practices and the chaos exhibited by the agreements governing the Pacific routes—in short the extremes in conference practices. Shipper's Council disputes with the FEFC over freight rises are as common as Mohammed Ali's retirement announcements and the "consultations" between shippers and conferences are still far from being bargaining sessions.

It has long been a theory in the expatriate shipping community that as soon as China opened up, Hong Kong's importance as an extra port in South China and as a commercial centre would wane. With U.S. recognition of China and the "four modernisations" economic programme, China has begun the long and labourious process of pecking its way out of its revolutionary shell.

Hong Kong's role in this process has become more clearly defined over the year and its role in shipping is even more important than previously. The Chinese have begun building a large ship repair yard on Tsing Yi Island (industrial area) which will serve as a repair centre for the numerous Chinese ships that are repaired and fitted out for service in Hong Kong.

Although Hong Kong has always been the base for the "offshore" Peking-controlled shipping companies, it appears that these companies, at least in the short run, will increase in importance. China Steam Navigation is the senior offshore shipping company acting to coordinate the dozen smaller companies that operate with varying degrees of independence in Hong Kong and Macao. The most active company is Ocean Tramping which buys most of the secondhand vessels and fits them out for "sale" to China Ocean Shipping Corporation, the national flag carrier.

Perhaps the most interesting development for local shippers is that China has been seeking out more local (Chinese) shipping expertise and that with the development of containerisation in China, some local lines are likely to get a larger slice of the movements.

The regional trade, once the strong point of Hong Kong's shipping community, has long been falling off as a result of larger national fleets and formal feeder type services. General cargo vessels still make a majority of the calls in Hong Kong but their importance had been diminished — though this could change if charter rates strengthened over the next year.

The international shipping community with a membership that included the world's largest shipowner, Sir Y. K. Pao, his rival C. Y. Tung (approximately No. 5 in the world), and smaller companies such as Wah Kwong Shipping, P. S. Lee, and International Maritime Carriers has great influence in world shipping.

Hong Kong's international shipping was built largely as a result of the "Shikumisen" or tie-in arrangements with the larger Japanese shipping companies such as Japan Line or Sanko.

However, after the near collapse of Japan Line it was obvious that the Shikumisen era was over and that owners would have to find a new investment mechanism. Recently, Hong Kong companies have been buying European second-hand tonnage (some of it on charter-back arrangements) which prompted one large owner to quip at a Norwegian meeting that "Hong Kong is the salvation of Norwegian shipping."

Hong Kong investment does not represent the salvation of anyone's shipping but the Community is for the first time taking an active role in international shipping organisations—Y. K. Pao is the present president of Intertanko.

Hong Kong owners seem less inclined now to invest in European secondhand tonnage on some long-term arrangement and have been making an effort to get into more joint ventures with developing countries. Another widely-pursued tactic is buying enough secondhand tonnage to keep the fleet relatively efficient in anticipation of a market upturn which many owners — although not their bankers — feel will happen in 1980.

Time gap bridged

COMMODITIES

HUGH PEYMAN

IN THE early hours of the British morning one group of Hong Kong commodity dealers is making the world price that European dealers are eager to learn even before breakfast, while another group could be thought to be as dormant as the Liverpool cotton traders and Paris sugar merchants who are sound asleep in their beds.

The local Kam Ngan gold market has shed its image as a trend follower whose only importance was the volume it turned over. Increasingly over the past four years Hong Kong has established itself as an *integral part of the world's 24-hour gold market*, where trading never stops. Hong Kong bridges the gap between the close of the North American day and the start of the European session some seven hours later.

To traders on the two-year-old Hong Kong Commodity Exchange, the daily turnover worth currently nearly US$ 300m and the eminence of the 69-year-old Kam Ngan are mouth-watering. "To say the cotton and sugar markets are quiet, as the official report often records is a vast understatement—dead would be closer to the truth," said one commodity trader who spends most of his day reading the newspaper and dealing with correspondence, not with cotton futures. In some weeks no business is done in either market, and the future *of the exchange is now causing* great concern to the floor traders.

Insiders reckon there is only enough money to last another year before the exchange will have to impose fees to meet running costs. Traders are known to have told their head offices outside Hong Kong that they can write off their $HK100,000 seat money. No return is in sight. Faced with the not unusual spectre for new markets of little interest, the exchange committee has one final hope—gold. What has made Hong Kong a world centre, ranking after only London, Zurich and New York in the gold spot market, the committee hopes can be repeated with the same success in the increasingly popular gold futures market, which in 1978 alone rose from eighth to third place in the volume of commodity futures traded in the U.S.

Hopes for salvaging a future for the Hong Kong commodity market seem likely to be determined not by traditional market forces, but by personal and vested interests. Understandably the Kam Ngan fears it will lose some of its profitable gold business should a futures market also trade the precious metal, so beloved by Chinese over the centuries as a hedge against both economic and political instability.

The vice-chairman of the Commodity Exchange, Mr. Woo Hon Fai, is also the powerful chairman of the highly success*ful Kam Ngan exchange. Known* as Hong Kong's statesman for gold, Mr. Woo is widely respected for his efforts to drum up international interest in the exchange: even South Africa has feted him as a guest of honour. Nothing can affect the success of the market, which still conducts its business in Chinese dialects and trades its unique spot contracts, which can be rolled over indefinitely giving a de facto quasi futures contract denominated in Hong Kong dollars and measured in traditional taels (one tael equals 1.191 ounces).

But Mr. Woo has his enemies, and his market is criticised for wanting to monopolise the profitable gold trading. His opponents, and the proponents of a gold futures market, argue that the Kam Ngan has nothing to fear from the creation of another market. They say it will complement the spot market and stimulate even greater interest in the metal. But the very traditional members of the Kam Ngan are not convinced by these arguments, and seem determined to hold on to their privilege of dominating gold trading. Many of the neutral *parties in the middle of this* dispute—the international bullion dealers representing almost all the major European and North American traders—feel that there is no need for another market.

Formal application for the opening of a gold futures market has not yet been sought from the Government, but supporters of the idea say it will only be a matter of months before Hong Kong adds another string to its trading bow. Quite rightly, defenders of the scheme say gold futures is the strongest market yet to be suggested for Hong Kong. They are also correct in saying it is too soon to dismiss the *viability of the sugar and* cotton markets. A devastating hurricane had to criss-cross Cuba five times before the Lon*don sugar market took off*, after years of lethargy. But observers note that local investors here are unprepared to wait much longer for the markets to prove themselves. Failure so far has been due to a combination of factors, some uniquely local and some that would apply anywhere in the world.

Virtues

The cotton futures market has failed largely because the all-powerful Shanghainese cotton spinners were not sufficiently consulted at the out*set. The one group that could* give the market substantial volume has boycotted the market operated by their "country cousins" from Kwantung and continue to buy in the open market when they think the time is right. The virtues of hedging future deliveries are unappreciated by the group that even officials of the Commodity Exchange acknowledge has done very well by relying on its own judgment.

The market did not open at a propitious time for local investors. They were faced with a permanent downturn for half a year, which could be profitable *to seasoned operators, but was* a costly introduction for most new investors, who would have welcomed a market surging on a bull run.

One failure that has attracted little attention and has caused its organisers no worry is the Kam Ngan's silver market, which resumed trading last summer for the first time since *the Japanese occupation of Hong* Kong in 1941. An unnecessarily cumbersome delivery contract resulted in the initiative being still-born, but with ever increasing interest in the barometer of financial and political anxiety, gold traders have had no cause to complain about this minor failure.

But dealers on the futures *market will be desperately* anxious that their prayers are answered and that gold will soon be their saviour, *for at the moment the futures market has* earned the reputation of being a loser, and that is a tag which could be difficult to shrug off if gold fails to be the solution to its problems.

Hope for the future derives *from a simple statistic*: at least 10 to 15 per cent of North American gold futures turnover comes from Hong Kong. But such thinking could just be too simplistic. Asia consumes 30 per cent of the world's cotton, but this fact has not made the Hong Kong cotton market a runaway success. The question remains, can the Hong Kong *Commodity Exchange cash in on* the Chinese hedge against inflation and instability and so widen the service of the Colony's trading community?

Merger deadline

STOCK EXCHANGE

ANTHONY ROWLEY

BEFORE THE end of the current session of the Hong Kong Executive Council, on August 1, the Government is expected to set a deadline for the merger of the Colony's four stock exchanges into one. This *should quicken the so far snail*-like pace toward voluntary merger, since it is widely expected that the deadline will be January 1, 1980.

Meeting such a deadline is certain to be traumatic given the obvious reluctance of the four exchanges to merge, a reluctance which has led to a great deal of foot-dragging on their part since the Government began pushing for a merger early in 1977. Short of a liquidation of the four existing institutions and the formation of one single new body, it is difficult to see how their differences can be reconciled and practical problems of accommodation overcome.

Outsiders would be justified in thinking it extravagant and rather self-indulgent for Hong Kong to boast four stock exchanges—the Hong Kong Stock Exchange, the Far East Exchange, the Kowloon Exchange and the Kam Ngan Exchange—when much bigger capital market centres else*where support only one.*

This quadripartite structure is, however, partly a legacy of the great stock market boom of 1972-73, which brought some of the exchanges to birth and would have spawned more had not securities *legislation* been brought in outlawing further stock exchanges—just when a fifth was about to be formed.

It is also a reflection of the fact that enthusiasm for share dealing in Hong Kong can reach almost hysterical proportions at times, as shown by the fact that turnover reached a combined several billion Hong Kong dollars a day in the boom seven years ago. Betting at Hong Kong's two racecourses is also said to greatly exceed that on British courses—another manifestation of the Colony's gambling mania.

Even so, few people inside or outside the securities industry here would argue that the present four stock exchanges, with their combined membership of just over 1,000, *are justified* by turnover levels, which now represent only a fraction of the 1972-73 levels, and which did not rise much above HK$ 300m a day during the mini-boom last year.

Whether rationalisation needs to go as far as proposed by the Financial Secretary, Mr. Philip Haddon-Cave — principal advocate of the one exchange *structure—is not, however,* something upon which there is equal agreement.

Step

There are plans in existence already for the Far East and Kowloon exchanges to share trading floors as a first step towards closer union, and possibly full merger. The Kam Ngan and Hong Kong exchanges are expected to *follow suit*, so that eventually the existing exchanges should be operating on two instead of four floors.

Many brokers argue that this partial merger of the four exchanges effectively into two units is as far as rationalisation needs to go, partially if the initial links develop into full mergers. Given inter-exchange trading, which exists in Hong Kong already, and the unification of trading and listing rules which is planned, the four exchanges will be as one anyway, the brokers argue.

Mr. Haddon-Cave has indicated, however, that nothing short of one exchange will satisfy the official desire for rationalisation. In his budget speech earlier this year he complained there had been "no tangible evidence" of voluntary unification.

"In the circumstances, the Securities Commission (the official watchdog of the securities industry) has advised that *legislation* to bring about unification, formulated as far as possible with the advice and agreement of the stock exchanges, should be intro*duced: and the Executive* Council has now advised that such legislation should be drafted. Accordingly, a bill will be introduced into this council later this session." he said.

The Government has argued that a *merger* of the four exchanges would benefit shareholders in listed companies and brokers, as well as enabling the regulatory authorities to administer a less erratic market. It would also eliminate difference in trading and listing practices.

But brokers remain sceptical of the cost benefits which Mr. Haddon-Cave has pointed to in justification of his pressure for a merger. The more wealthy exchanges, such as the Hong Kong exchange, which derives a good deal of its income from investments, foresee a sub*stantial leakage of capital from* the system in the event of existing exchanges liquidating after the formation of a single new one, and thus high costs for those brokers who choose to *become members of the new* exchange.

Even so, members of the Hong Kong stock exchange argued in discussions last month with securities commissioner Uisdeen McInnes that unification should be brought about through liquidation of the existing exchanges. They also urged the introduction of a high admission fee for membership *of the new exchange in order* to encourage only professional brokers to join.

The Hong Kong exchange members argued at this meeting that full unification should wait until it was possible for the new *single exchange* to carry out trading on one floor.

The Securities Commission is currently drafting papers on various procedural obstacles to be overcome on the path towards unification — and possible solutions. These papers will form the basis of submissions to the Government before legislation is introduced.

As an alternative to the view that membership fees should be pitched high so as to encourage only "professional" brokers to join the niw exchange, a proposal being studied is that there should be two classes of membership—full membership and associate membership, the latter carrying trading rights but not full membership rights. This is meant to provide for smaller brokers who do not do much business outside peak trading phases. This might also protect the position of such *people as the lawyers and* accountants who bought seats on the exchanges before the Securities Ordinance 1974 forbade them to do so, but it would hardly enhance the professional image of the Hong Kong stock market overseas. One further suggestion being examined is for a third class of member: *overseas brokers.*

Pressure from new economic forces

INDUSTRIAL DIVERSIFICATION

DAVID DODWELL

THE APPOINTMENT of a Government committee to advise Hong Kong's business barons on future industrial diversification may seem to be an attempt to teach grandmother to suck eggs. But many of the colony's agressively independent industrialists are welcoming this Government "interference" as they become increasingly nervous about economic forces at play which they alone cannot handle.

Few countries in the world are so dogmatically committed to the principles of free trade. Along with that commitment goes an extreme reluctance to allow any Government role in the industrial process. The ardent belief among Hong Kong industrialists is that their own and their employees' interests are best served by leaving them unhampered to respond to market forces. They traditionally pride themselves on being faster to see and exploit new opportunities than any of their international competitors.

Len Dunning, director of Hong Kong's Trade Development Council, appropriately reflected this zealous view when he said: "This place moves so fast that the reality of our trade, its direction and the products we make, will always be ahead of any government report. Lots of meetings have been held, but back here on the farm, diversification proceeds as it always has in Hong Kong — by natural selection."

Len Dunning's view is well supported by industrial precedent in Hong Kong. In the rapidly expanding electronics sector, the growth in electronic watch exports is staggering; Hong Kong's producers have in five years come from nowhere to become the world's leading watch exporter in volume terms. Similarly, the alacrity with which Hong Kong's toymakers embraced new technologies so that they are now world leaders in electronic toymaking is rarely seen elsewhere in the world.

And does anyone remember the boom in wig exports? In the six years to 1970 Hong Kong's wig exports rose from nothing to be worth HK $937m a year. By 1974, the fad exhausted, exports had withered to a meagre HK $44m. No one mourned; no one ever does in Hong Kong. They simply moved on into new enterprises, satisfying new fads and other passing fashions.

Committee

Against this backdrop, the Government committee—formally known as the Advisory Committee on Diversification—seems more and more anachronistic. Indeed the Government itself insists it has no intention of telling Hong Kong businessmen how best to diversify as and when market forces demand or encourage it. In his budget speech on February 28, Financial Secretary Philip Haddon-Cave, emphasised that the committee had been set up "within the context of our general commitment to the market-based free enterprise system."

He pinpointed increasing protectionism in the West as a major reason for creating the committee. It is true that quotas imposed mainly on textile products by the EEC and the U.S. have given Hong Kong industrialists a number of headaches. But there is no hint that Government might better be able to overcome the problems created by quotas than Hong Kong industry itself.

In fact Hong Kong's industrialists seem to be coping with their usual imaginative panache. The value of all textile exports rose by 6.4 per cent between 1977 and 1978. While exports to the U.S. (Hong Kong's biggest market) fell by 7.8 per cent, those to its next four largest markets (UK, Australia, Singapore and the Philippines) rose by anything from 18 per cent to 51 per cent.

While the quantity of certain exports was limited by quotas, exporters compensated by "trading up"—exporting products of higher value, which carry larger profits for every item exported—and by switching into clothing not hampered by quotas—like fur, leather and PVC clothing. The volume of fur garments exported in 1978 was 80 per cent higher than 1977, while leather clothing exports rose 22 per cent by volume.

Len Dunning noted with relish: "None of these products is controlled by quotas, and where there is a loophole our exporters will find it. Adam Smith lives."

A second and perhaps more important force behind the relentless need to diversify is Hong Kong's rising wage costs. At the root of this is an acute labour shortage. Hong Kong's total workforce consists of 800,000 people, but Jimmy McGregor, Director of the Hong Kong Chamber of Commerce, claims that manufacturing industry alone is short of 100,000 workers.

Rising wage costs and the labour shortage have had three important effects on Hong Kong industry. First, industrialists have been forced to mechanise in order to maintain sufficiently high levels of production. Secondly, this has lead to a need to invest more heavily in worker training. Finally, the rising wage bill has squeezed company profits and forced exporters to "trade up" into products which offer bigger margins of profit.

At the same time there are severe limitations on Hong Kong's capacity for diversification. An acute shortage of land, accompanied by high population densities, rules out heavy industrial development, or the adoption of pollutive industries.

Hong Kong has traditionally been a copier of technology rather than an originator of new technologies. It has neither the cash nor the institutions necessary for original research, so must continue to rely on its imaginative exploitation of existing technologies.

Training

A third constraining factor is the limited skills of the Hong Kong workforce: standards of education are constantly improving but only a small proportion of students stay on beyond the age of 16 for higher education or technical training. Very few employers are prepared to invest heavily in training their workers.

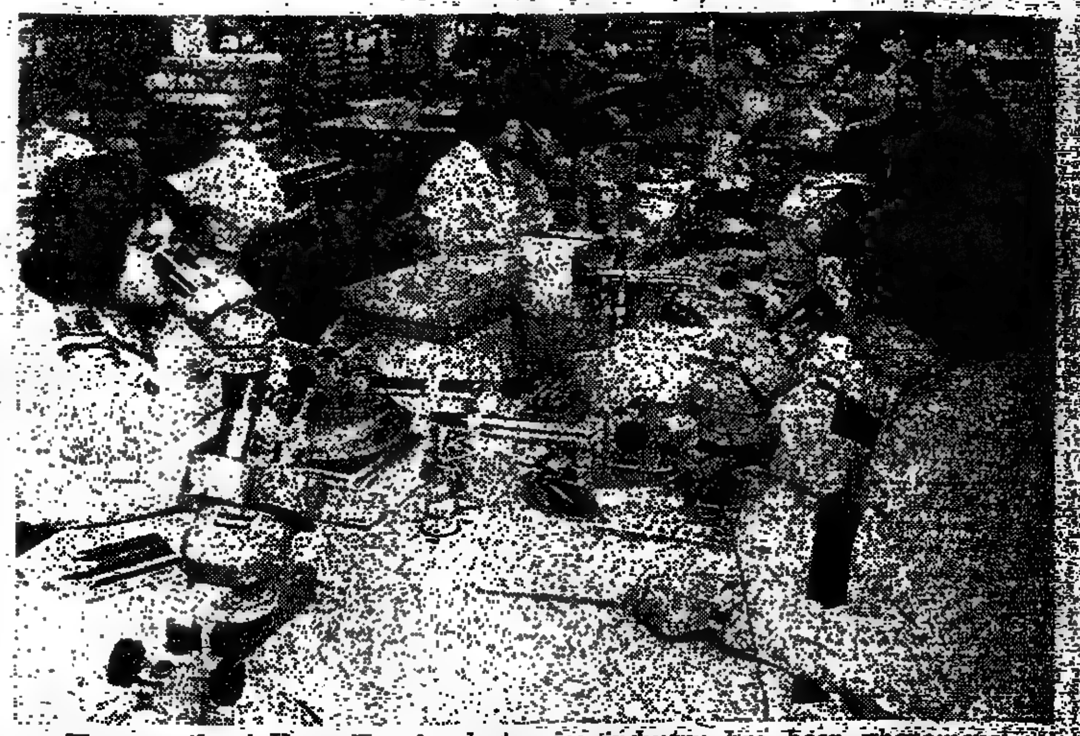
A fourth constraint on diversification is the rising cost of speculative investment. Many new industries demand heavy investment in sophisticated technologies, while the risks of failure are as great as they ever were.

When all of these factors are taken into account, the pressing need for Government intervention in the form of an advisory committee on diversification is easier to understand.

While protectionism and quotas are problems that Hong Kong industrialists are familiar with, and able to cope with unaided, the same does not apply to problems that have arisen because of labour shortages and increased mechanisation. These are problems best tackled by a central authority. While they may eventually be handled by an Industrial Development Council modelled on the Trade Development Council which already exists, Government clearly has to take the first move.

The committee on diversification was due to report last autumn, but its progress has been badly delayed. Financial Secretary Philip Haddon-Cave claimed in February that just two of the six sub-committees set up by the main committee had so far reported (these sub-committees comprise country studies, vocational education and training, land, industrial development, financial facilities and shipping).

Government officials now predict the report will be ready by autumn. Until then industrialists will continue to live by the jungle laws they know so well. Many remain sceptical about the government's ability either to change the laws, or make them any easier to live with.



The growth of Hong Kong's electronics industry has been phenomenal. Above: Workers assemble computer-printed circuit boards at the Ampex Ferrotec factory.

Building continues at frenetic pace

PROPERTY

HUGH PEYMAN

"HONG KONG will be a beautiful place, when they stop building it," wrote Han Suyin in *Love is a many splendoured thing.*

Nearly 30 years later, building continues to change the face of Hong Kong at the same frenetic pace: and the prospect of the colony ever enjoying the beauty promised, when its population was just one-third of its present size, still seems to be a mirage.

A three-year boom has catapulted land and property prices into previously undreamed of heights, while boosting corporate profits so much that the whole stock market took off last year on the back of property earnings.

Experts, whose own rents have probably nearly doubled in the past year, are wary of predicting the end of the boom — they have been wrong several times already — but market fundamentals suggest that the peak is in sight.

Within the next 12 months prices will probably dip as supply increases to meet demand. Some analysts would not be surprised if prices fell by up to 20 per cent for small flats (which comprised 93 per cent of new flats built in 1978) and 10 per cent for medium-sized properties; only very large units are likely to hold into their present value as Hong Kong continues to attract corporations to locate their regional headquarters here and because very few new units are built in the luxury sector.

Good communications, low taxation, location, developed financial and commercial facilities, still give Hong Kong an edge over such other rivals as Tokyo and Singapore.

The granting of new banking licences last year boosted the top end of the housing market with rents leaping upwards between 50 and 100 per cent to take advantage of demand from executives.

Washington's recognition of Peking, combined with China's economic modernisation thrust, promises to attract even more executives to Hong Kong. But, so far, very few moves have been made, most companies interested in developing their China trade are waiting to see if the present policies and leaders in Peking are as durable as their plans are ambitious.

Dividends for Hong Kong property developers will have to wait to be reaped, and even when traders successfully beat their way to China's door, it is uncertain how much of this trade will be done through Hong Kong.

Worldwide *Sinophilia* has not yet created any vast demand for Hong Kong property.

Two records were set in the property market in the past year. Nearly HK$1,400 per sq ft was paid for a central development site (by a group of South-East Asian overseas Chinese); in the property sector, flats in a block of luxury apartments were pre-sold for HK$1,200 per sq ft.

Such dizzying statistics can blind the optimistic property bulls into believing that these prices will be new benchmarks, to be surpassed in the near future. Soaring interest rates, which have virtually trebled in the past year with prime now at 13 per cent, combined with higher property prices make buying a new flat an increasingly difficult proposition.

Even small flats of 400 sq ft cost up to HK$700 per sq ft, while larger areas around 750 sq ft cost over HK$500 per sq ft. Such outlays dent considerably most young families' incomes. With mortgages at present rates, purchases will tend to be delayed until either interest rates or prices come down, or to the hard-pressed purchaser, hopefully both. However, on the mortgage front there is little sign that relief is at hand with U.S. prime rate firmly in double digits and the local currency weakening.

Building keeps on apace. The Government forecasts that by this year's end the housing stock will have risen by 15.6 per cent in the past two years.

Private developers are expected to build 30,335 new units this year and 31,270 in 1980, compared with 26,230 in 1978, which with 41,000 units completed in both sectors was the highest figure since the last boom peak in 1973.

With this upsurge in activity and the Government committed to further boosting its building programme, even the strongest bulls should hesitate and reflect on where the new demand will keep on coming from. Even with Hongkong's population expanding, and incomes rising, it will take a large slice of new demand to absorb all this property at present prices—and the signs are that new sales are meeting resistance.

Hopes that the recent influx of immigrants from China and the flow of Vietnamese refugees will help prop up the property market appear to be over optimistic.

Few arrivals are able to afford private property and even people in overcrowded Government housing have little choice but to squeeze up further and continue to pay the relatively low public authority rents; the high priced private sector is out of their reach. *Gold-carrying refugees in the Vietnamese armada* have little desire to settle in Hong Kong, they are much more likely to want to buy real estate in Houston, Texas, if the U.S. Government will admit them.

The supply of new office space this year is likely to be just half of earlier forecasts, partly due to the deferment of projects in Sheung Wan which suffered from a lack of confidence generated by previous high levels of vacancy and higher yields are bringing forth new investment in office rental development.

The skyline of central Hong Kong will look considerably different in a couple of years time. Some analysts wonder if the ever denser, ever upward growth of office construction will cause a dip in developers' profits, since an estimated 3.5m sq ft of office space will come on to the market in and around Central within the next 12 to 18 months.

By 1981, the value of China to Hong Kong will have become clear. If the modernisation drive boosts foreign trade and prosperity rules in the Asian Pacific region, then this crowded tip of Southern China will be increasingly attractive.

But if the managers of the economy of a quarter of mankind decide to head in a more insular direction and unsoothing noises are made about the New Territories lease (which expires in 1997), then that fragile, but crucial, factor in the Hong Kong equation — confidence—will be eroded and capital will flee the colony.

Yet such thoughts are put aside during the honeymoon with the new masters in Peking and the riots of 1966-67, which sent property values crashing to the floor, are relegated to the pages of ancient history.

هكذا من الأصل

Textiles stay buoyant

AS THE tide of refugees, not just from Vietnam but from China as well, continues to press on Hong Kong, the performance this year of the colony's textile industry is assuming more than its usual significance.

For despite diversification into a range of other industries, nearly half the jobs in manufacturing employment — and nearly half all exports — still come from textiles and clothing. With Hong Kong established as the biggest garment exporter in the world, the sector has created much of the wealth that has helped to improve living standards in Hong Kong to their present level, and it will be to textiles and clothing that many of the more recent immigrants will be looking for work.

For this reason, therefore, the relatively strong performance of the sector over the past year, and the reasonable prospects which most manufacturers see ahead is one source of relief for the hard-pressed Hong Kong authorities.

Last year, following a dip of 2.7 per cent in 1977, exports of garments rose by 13 per cent in value to HK$15.7bn (£1.57bn) as a result of rising demand in the colony's three main markets.

Exports to Britain, now subject to tight quota controls, rose by 12 per cent to $1.9bn (£190m) while those to Germany were up 18.6 per cent at HK$2.6bn and those to the U.S. increased no less than 40 per cent to HK$6.3bn.

In the first three months of this year, garment exports rose a further 30 per cent compared with the same period in 1978, and those to Britain were up by 83 per cent.

The pattern in textiles—the production of yarns and fabric—has also been one of recovery from the poor year of 1976 when demand for textile products fell off around the world. Hong Kong's textile exports last year rose from HK$2.7bn in 1977 to HK$2.9bn, though this was still some way short of the record HK$3bn in 1976.

During the rest of this year, demand for both textiles and clothing is expected to remain strong. Though, in textiles, there are some complaints that yarn and fabric prices are being depressed by low cost imports from other Asian countries, most manufacturers are working at or near capacity. In garments, this picture is much the same with many groups short of labour.

It is a performance achieved despite increasingly tight quota restraints on virtually all Hong Kong's most important exports, though some would say it is also partly because of these.

HONG KONG GARMENT EXPORTS

Major markets (in order of importance in 1978)	1975	1976	1977	1978
U.S.	2,147.8	4,569.2	5,426.5	6,267.6
	(20.8%)	(32.0%)	(39.0%)	(39.9%)
Fed. Rep. Germany	1,897.1	2,669.1	2,191.3	2,607.9
	(19.6%)	(18.7%)	(15.8%)	(16.6%)
UK	1,587.4	1,794.7	1,535.3	1,904.4
	(15.6%)	(12.6%)	(11.0%)	(12.1%)
Canada	401.3	764.8	525.6	556.1
	(3.9%)	(5.2%)	(3.8%)	(3.5%)
Japan	312.7	415.1	402.0	536.6
	(3.1%)	(2.9%)	(2.9%)	(3.4%)
Netherlands	272.4	419.2	380.0	425.7
	(2.7%)	(2.9%)	(2.7%)	(2.7%)
Sweden	348.2	548.5	419.1	366.8
	(3.4%)	(3.8%)	(3.0%)	(2.3%)
Australia	308.3	383.6	314.9	353.5
	(3.0%)	(2.7%)	(2.3%)	(2.2%)
Others	1,826.3	2,741.8	2,713.9	2,690.2
	(17.9%)	(19.2%)	(19.5%)	(17.2%)
Total	10,201.5	14,283.0	13,908.5	15,708.8
	(100%)	(100%)	(100%)	(100%)

[illegible] in brackets denote percentages of total domestic exports [illegible] garments. (Exchange rate; HK$10.3 = £1.)

Restrictions on exports of basic textile products, such as cotton yarn and cloth, first introduced more than 20 years ago and tightened at intervals since, have resulted in a decline in size of the textile sector (as opposed to clothing) over recent years, and with competition from newer textile producers growing this process is continuing. The textiles sector, which now employs 68,000, has, however, moved increasingly into higher quality yarns and fabrics and thus over the past year has been able to take advantage of the fashion swing towards finer materials in women's wear.

Many textile groups have also expanded their garment activities, but with new restrictions being introduced since the mid 1970s on garment exports, too, this sector—current employment 240,000—has also moved up-market in order to maximise the value of the quota assigned to it. This has meant producing better quality shirts, fancier knitwear and more fashionable women's dresses.

As in the past, the colony has also been quick to spot areas free of quota control. It is now a growing exporter of top quality furs and leather garments, and has also moved into other clothing accessories.

Although restrictions appear even to have had a beneficial effect, by sending Hong Kong manufacturers into up-market products where the returns are higher, there remains considerable concern over the longer term implications of continued quota control, and a new appeal to the EEC to reconsider the arrangements it negotiated with Hong Kong at the time of the renewal of the GATT Multi Fibre Arrangement in December, 1977, has recently been made.

The key point now being argued by Hong Kong is that the world trading system is being distorted as a result of quota control and that the benefits which were supposed to flow to the less developed countries as a result of tight restrictions have not materialised.

Discriminate

The Hong Kong Commissioner for Trade, Mr. David Jordan, pointed out recently that in the two years 1977 and 1978 total imports of clothing into the UK rose by 35 per cent. Those from the EEC, however, rose by 56 per

TEXTILES

BY RHYS DAVID

cent and those from Mediterranean suppliers by 62 per cent, with the result that these two blocks were both able to increase their share of the UK market at the expense of developing countries.

The Hong Kong authorities also argue that the quota system discriminates between developing countries, perpetuating existing market shares. Thus, Hong Kong, as the biggest supplier, has been given the biggest quotas.

Other countries seeking to build up their textile industries run into quota restrictions at a much lower level, and are not able to emulate Hong Kong's growth as a supplier. In effect, it is argued, quotas, with their built-in annual percentage growth rates, lock individual suppliers into their present rankings on a permanent basis to the advantage of those that have already achieved a strong position. They also lock suppliers into the products they are already supplying.

There are other problems with quotas which also concern manufacturers, in particular their effect on costs. The system for allocating and transferring quotas among manufacturers and issuing export licences is handled by a 400-strong team at the colony's Trade, Industry and Customs Department, and the cost of running this service is met out of licences paid for by exporters.

To obtain export licences for controlled products, companies must have quotas and these are allocated on the basis of past export performance. Companies needing quotas can buy them from other companies with unused quota and a widespread trade in quotas now takes place, subject to regulations laid down by the Government.

While most companies are finding little difficulty in obtaining quotas through this transfer system, the cost can still be substantial on "hot" items such as [illegible], or where particular shortages occur or at year ends. [illegible]

serious financial problems for buyers in the UK and other markets faced with sudden increases in price.

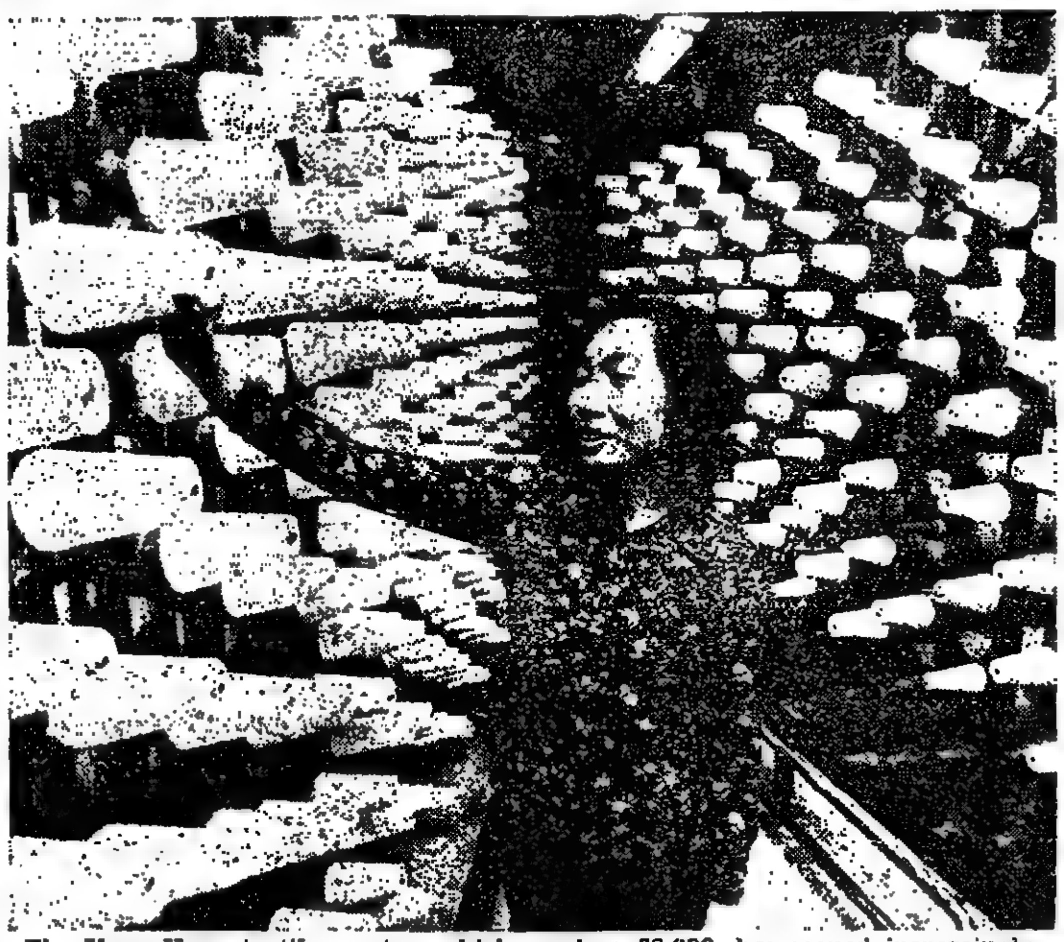
The EEC seems most unlikely to accept Hong Kong's suggestion of a review of its textile agreement with the colony, and there now also seems every chance of the present MFA agreement being followed by a third phase from 1981. The colony has, with its latest request to the EEC, given notice, however, that it will be pressing strongly for a relaxation of current restrictions when the next round of negotiations begins.

The industry is also becoming increasingly concerned at other internal pressures which could equally affect its ability to compete in world markets in the 1980s. Major construction projects, such as the Mass Transit Railway and the new towns programme in the New Territories, have attracted away male labour and driven up wage rates (now around HK$1,000 to HK$1,200 or £100-£120 per month).

Hong Kong's growth as a regional financial and tourist centre—a process likely to accelerate as China opens up further—is also creating new jobs for women in hotels, banks, offices and shops, where working conditions are more amenable than in textile mills. Though the Government has acted this year to cool down the economy, inflation is now running in double figures, again posing a threat to competitiveness.

With all land in Hong Kong extremely scarce, the cost of good industrial space has risen fourfold, according to some estimates, over the past five years. This has begun to affect the economies of spinning and weaving which because of the weight of the machinery cannot be housed in Hong Kong's multi-storey factories. Some textile groups have taken the windfall profits available from quitting prime sites and selling them to developers.

The unpredictable effects of the current world energy crisis are another cause for concern.



The Hong Kong textiles sector, which employs 68,000, has moved increasingly into higher quality yarns and fabrics. In the past year, the sector has been able to take advantage of a fashion swing towards finer materials in women's wear.

Hong Kong itself it unlikely to suffer directly any more than its competitors in Asia, most of which are dependent on imported supplies at world market rates.

Higher oil charges are, however, likely to hasten the steps towards recession in both the U.S. and the UK, on both of which Hong Kong is heavily dependent.

The response which Hong Kong is likely to make to these various pressures is in some areas already apparent. The continued inflow of migrants will go some way to reduce labour shortages, though manufacturers have found it takes some time for newcomers to China to adopt to the pace of work in Hong Kong's factories and to achieve the same quality standards. Where recruitment has proved difficult, many textile companies have already invested heavily in labour-saving equipment and this trend seems certain to continue. Many of the more laborious jobs in textiles and clothing have already been automated.

China's own efforts at industrialisation also seem likely to provide Hong Kong with some of the space capacity it needs in textiles and clothing. Most companies believe that Hong Kong's involvement will develop only slowly and that the profitability of cross-border ventures will have to be carefully examined.

Quality

While Hong Kong groups may be slow, however, in establishing complete projects in China, production-sharing arrangements are expected, in which both partners will share in added value. Under these, Hong Kong would send in machine-made goods which need some hand finishing. Such a development would fit in well with the colony's moves up-market into higher quality garments, using extra trim and requiring more sewing operations.

With a higher cost structure than its Far East rivals, the production of higher value higher margin goods is likely to remain the strategy most of Hong Kong's groups will want to adopt, and parallel with this there are also signs that the colony will move increasingly towards the development of its own fashion ideas.

The [illegible]

of manufacturers developing and marketing their own products—has begun to increase.

The target as Hong Kong moves up-market is likely to remain the West and, in particular, the big three—the U.S., Germany and the UK — which between them take 70 per cent of the colony's exports. For its own protection, however, Hong Kong has been seeking to increase its penetration of other markets, and in particular Japan.

All these developments, taken together, perhaps hint at the role Hong Kong may be playing in world textiles in the 1980s and 1990s. While the developed markets of the West will continue to be its bread-and-butter, Hong Kong may well also have a key regional role as a fashion centre within Eastern Asia, currently the fastest-growing region in the world.

As such, it might well have a smaller textile industry concentrating on higher quality goods but it would be the centre to which the region's other producers would look for ideas. [illegible] this is what the [illegible]

Phenomenal growth

ELECTRONICS

DAVID DODWELL

THE VITALITY of Hong Kong's economy, and the versatility of its industrialists, are remarkable. The colony's electronics industry epitomises these qualities—and embodies at the same time the structural problems inevitable in a small country committed to free enterprise.

One has to be impressed by the way that Hong Kong's industrialists have kept up with the hectic pace of technological innovation in industrial electronics, and kept ahead in the fad-ridden world of consumer electronics.

On the other hand, Hong Kong's electronics sector is fast losing its competitive edge as labour costs mount. South Korea and Taiwan possess much cheaper labour, and have begun to eat into Hong Kong's markets for cheap electronics. Hong Kong businessmen also increasingly complain that the new technologies of the electronics industry demand a more highly skilled workforce—and that Hong Kong's education system is not yet producing enough workers with appropriate skills.

The electronics industry first took root in Hong Kong as its leaders worried over the economy's over-reliance on textile exports. It flourished because labour costs were low and because Hong Kong industrialists, always fast on their feet, were willing to switch smartly into novel areas of production as soon as opportunities became apparent. Today electronics is Hong Kong's second largest industry, and businessmen boast that they can see new openings—and exploit them—sooner than anyone else.

The industry is still young, but its growth has been phenomenal. In 1959 Hong Kong boasted just two radio factories, exporting products worth HK $100,000. Twenty years later, 800 companies produce everything from micro-circuits to home computers, exporting goods worth HK $6.45bn.

Hong Kong's electronic watch industry vividly illustrates this growth. Electronic watches were virtually unknown before 1970, and Hong Kong's role as a watch exporter was modest. In 1978 the colony exported 20.2m watches, worth more than HK $1bn. In volume terms Hong Kong is now the world's leading watch exporter. Switzerland, which is still the world's leading watch exporter in value terms, must sorely regret its late interest in electronic watches.

The erosion of Switzerland's supremacy as the world's watchmaker is well illustrated in the UK market. In 1971 Switzerland supplied 87 per cent of the watches sold in the UK. By 1975, two years after Hong Kong's watch exporters entered the UK market, the Swiss share had fallen to 68 per cent, and in 1978 had slumped to 30 per cent (all in value terms). By 1975 Hong Kong had won 4 per cent of the UK watch market; by last year this share had risen to 28 per cent. In volume terms Hong Kong is now the UK's leading watch supplier, with a 40 per cent market share.

Hong Kong's success was in copying a new technology, and exploiting cheap labour to launch the resulting product on a mass market. The average wholesale price of an electronic watch from Hong Kong is HK$50—about £5. The same ploys won success in the export of radios, TV games and electronic toys. Radios — ranging from the simplest transistor through car radios to radio clocks—still provide Hong Kong with more export revenue than any other electronic product—HK$2.2bn in 1978. While dramatic growth is a thing of the past for this well established industry, exports grew by a respectable 23 per cent between 1977 and 1978.

The colony's formula for export success has its drawbacks, however. As long as its products are aimed at a mass market, then low price will be the retailer's first consideration. This inevitably means low profit margins, which inhibits heavy promotion through advertising and limits research and development. Two distinct consequences are, first, that Hong Kong products remain anonymous to most buyers, and secondly that Hong Kong producers are trapped into a parasitical reliance on research conducted by other companies in other countries. As electronics technology becomes more sophisticated, this dependence becomes more absolute.

All of these factors have conspired to prevent Hong Kong producers from breaking into the "quality" end of the electronics industry. This has only become a worry since labour costs began to rise, and cheaper producers also exploiting "copy technology" have begun to edge into certain of Hong Kong's traditional export sectors.

Swiss watchmakers still maintain a firm grip on the quality end of the watch market. Though Hong Kong producers have high hopes for the latest and most expensive electronic watches, electronic analogues, they face severe competition from Swiss and Japanese producers and will always rely on the more modestly priced Liquid Crystal Diodes (LCDs) for the bulk of their export income.

The absence of any domestic research has resulted in serious problems for TV games manufacturers. They started three years behind U.S. producers who had conducted the original research, by which time the attempted export launch into the U.S. was doomed to failure. After a flurry of interest over the Christmas of 1977, sales in Europe have also been disappointing.

Severe price competition meant poor quality control. In West Germany about 10 per cent of the TV games exported from Hong Kong were rejected on quality grounds, and some Hamburg importers complained they had to jettison between 30 and 40 per cent.

These early TV games offered a very limited range of possible uses, so boredom or breakdown put an early end to the fad. Hong Kong exporters have since paid much more attention to quality control, and the latest range of TV games is much more sophisticated and offers more subtle possibilities. But the initial disaster of Christmas 1977 has made European buyers much more wary.

Prospects

A recent report by Hong Kong Trade Development Council predicts a "strong decrease" in the sale of TV games in West Germany, where severe price competition means that "hardly any profit can be made." Similarly, prospects in France, for the latest programmable and computer games are "not very promising" — mainly because importers who had their fingers burned in 1977 are reluctant to take fresh risks.

While consumer electronics have attracted most of the headlines, and make up 70 per cent of Hong Kong's electronics exports by value, industrial electronics make an important contribution—not least because they are not subject to the erratic whims of fashion dominating the watch and TV games markets.

Typical of this sector is Ampex, a wholly owned subsidiary of the U.S. company of the same name, which produces a range of products from computer memories to mini computers and testers. Two recent "coups" for the company have been a U.S. military contract, and a contract to supply computer memories for Hong Kong's new Cable and Wireless telephone and Telex exchange.

This company, run by Legislative Council member Allen Lee, recorded a 20 per cent export growth in 1978. In this respect it is untypical of the sector as a whole, which suffered a 0.7 per cent fall in export sales in 1978.

Allen Lee, in addition to running Ampex, is chairman of the Hong Kong General Chamber of Commerce electronics committee, and chairman of Hong Kong's Electronics Training Board. From this vantage point he is far from happy about the state of the country's electronics industry.

He points out that Hong Kong's electronics companies are still confined to providing the simplest inputs into the industry—in radios, calculators and consumer electronics. The multinational electronics companies which would bring to Hong Kong more sophisticated electronic technologies have simply not been attracted to the colony. Where, he asks, are the specialist activities like production of measuring instruments or medica electronics?

Hong Kong is losing out to South Korea and Taiwan, Allen Lee claims—and for one major reason. The Hong Kong Government, committed to laissez faire and complete non-interference with its domestic industry, is failing to provide the industry with support and services it needs to surivive.

"The days of free enterprise and laissez faire are over," Allen Lee said. "That doesn't mean government should be involved in directing industry—that would be too much involvement. But we need help in training, providing skilled labour, providing facilities for research and development. We need a body able to examine industrial strategy over a long period, to guide the industry and help it to co-ordinate its resources."

At this very moment Hong Kong's Government Commission inquiring into industrial diversification is preparing its final reports before publication in the autumn. It is this commission which will provide the support framework that Allen Lee claims the electronics industry needs—if the industry is to get support at all.

Allen Lee is not altogether confident about the Diversification Commission's inquiry, however. Hong Kong's industrialists have traditionally thrived by promptly responding to new opportunities. The commission report is likely to be published a year behind schedule — and many a Hong Kong businessman would have lost his shirt if he had been similarly slow.

Still ahead of schedule

MASS TRANSIT RAILWAY

DANIEL NELSON

LONDON'S OXFORD Street station took five years to build. Hong Kong's entire 15-station, 15.6 km underground railway will be completed in four years. *Vive la difference,* says Mr. Norman Thompson, chairman of the Government-owned Mass Transit Corporation (MTR) and a champion of what he admits is the Colony's "Victorian, no-nonsense" approach to work and profit. Either because of Hong Kong's conditions and attitudes or the efficacy of the Taoist priest who presided over the inauguration of work on the HK$ 5.8bn railway, the project is under budget and ahead of schedule. This is despite foreign exchange losses of HK$200m last year, death threats against members of the labour force by Chinese secret societies, the inconvenience of working in the heart of the most densely populated area in the world and major design changes after construction had begun.

Even an initial disaster, which almost derailed the entire scheme, turned out to be a blessing, according to Mr. Thompson. The Japanese consortium which had signed a letter of intent to construct a 20 km railway for HK$5bn withdrew in December 1974 in the wake of the oil crisis.

Still convinced of the need for a railway—first recommended in a 1967 Freeman Fox, Wilbur Smith and Associates transport survey—and with much preliminary planning completed, the Government decided in September 1975 to go ahead with a modified system on a multi-contract basis, which Mr. Thompson believes is ideal for a project of this size. In addition, the world economic recession meant that major contractors were hungry for work.

Several have experienced difficulties, none more so than the Gammon-Kier-Lilley (GKL) joint venture. GKL's HK$600m task is to construct two and a half stations and an interlocking network of four tunnels accounting for nearly a quarter of the civil engineering expenditure but only 10 per cent of the total route. Within six months it ran into serious difficulty when it was found that extensive and expensive groundwork treatment was required to prevent buildings in Nathan Road, the Colony's "Golden Mile," from collapsing.

GKL fell so far behind schedule that the opening of the railway in March 1980 was jeopardised. That was anathema to Mr. Thompson not merely because his own reputation was on the line, but because the Government has always stressed that the railway must be commercially viable. The target is for operations to show a profit by 1983 and all debts to be paid within a further ten years. Delay could cost HK$1m a day in lost revenue.

Relations between GKL and Mr. Thompson became acrimonious, with both hinting that the other was selling them out. GKL submitted the project's largest contractual claim, arguing that it had not been informed of the complex ground conditions which are the root cause of the trouble.

Achievement

Settlement of the claim has now been reached, reportedly for some £11m, and Mr. C. R. Livingston, the project director for GKL, admits that the settlement "excited us to catch up." This has been achieved partly by doubling the labour force and bringing in additional equipment, but also by a rapidly devised engineering design change and by working on the two main stations at both ends and at two levels simultaneously thus halving excavation time.

GKL expects to complete the job ahead of time, a remarkable achievement considering that at the height of the crisis the Corporation thought it would have to inaugurate the railway and run trains through without stops at the GKL stations, thus enabling the company to carry on work.

The Corporation's concern has now shifted to the electrical and mechanical contracts, which are being rushed through in about half the time originally planned. The scene underground in recent weeks has been one of frenetic and apparently chaotic activity, with engineers installing sophisticated electrical equipment in clouds of dust and debris, literally in the midst of heavy construction work. At the same time, teams of men, standing elbow to elbow, tile the walls. "It's like a battlefield," says Mr. Livingston. "People are rushing about, elbowing each other out of the way. My main job is to keep everyone cool." Once the electrical and mechanical work has been completed, says Mr. Thompson, "the chances are that in terms of design and construction the system has been proved. We should have a fair chance of running through without a great deal of trouble on the next two sections."

The first section will begin operating on October 1 (part of it six months ahead of schedule). The second section is planned to be brought into service in January, 1980, three months ahead of schedule, and the section under the harbour to Central the following February.

The phasing will enable the Corporation to test its ticketing and passenger flow system; no railway has ever dealt with as many passengers on a fully automated basis and it would have been dangerous to have opened the entire system at one go.

Government go-ahead for the 10.5 km, HK$4.1bn Tsuen Wan extension was given in 1977. All but two of the major contracts have been let, all at a fixed price and on the basis of an engineer's design, unlike the design-and-construct method used in the first phase, because of the pressing need to get the project under way.

The extension is programmed to open in 1982. In that year the Corporation's debt is expected to reach a peak of HK$10.5bn, almost all in Hong Kong or U.S. dollars. By the mid-1980s, the 1,800 operations staff are expected to be servicing 1.8m journeys a day—about the same number as are carried on the London Underground which, with 252 miles, is 15 times as long. Initially, fares will range from HK$1 to HK$3, a level which the chairman says has taken into account possible wage and fuel cost increases in 1979 and 1980: "These fares should therefore not change in 1980 and hopefully during 1981."

The Corporation predicts gross revenue of HK$679m in 1981, rising to HK$1.2bn in 1986. Raising finance has proved far less of a problem than anticipated. There are no immediate plans for further large-scale fund raising, but the Corporation will have to raise HK$4bn before 1983 to meet the pre-operational interest charges and loan repayments.

Yen appreciation last year caused the Corporation to cut its losses on HK$650m equivalent of yen-denominated export credits from Japan. Against this, however, income from property development has been considerably higher than anticipated. The Corporation is developing three prime sites in joint ventures with property companies, the largest consisting of what is virtually a small town above the main depot and maintenance sheds at Kowloon Bay.

There will be 41 blocks providing 5,000 flats for some 25,000 people, as well as shops, schools, a sports complex, clinic and many other facilities. Already 2,800 flats have been pre-sold, with the proceeds roughly split between the Corporation and its partner, Hang Lung Development and Hopewell Holding. The Corporation's own property division will manage the 467,000 square feet commercial complex.

Proceeds from the sale of flats and from the office blocks in the two other main property ventures have resulted in the addition of HK$700m to the reserves. Other property developments are under examination. "We intend to develop every square inch we've got," explains Mr. Thompson. "Having to operate commercially sharpens the mind wonderfully." And he adds with a confident smile, "things can be achieved here that cannot be achieved anywhere else."

هكذا من الأصل

Resettlement on a massive scale

NEW TOWNS

DANIEL NELSON

A BELATED seal of approval was placed on the new towns when Jardine Matheson, the major trading "hong," set up a New Territories Division. The move was a recognition of the economic implications of a policy that will increase the population of the New Territories to 2.5m by 1986. By that time, 40 per cent of the population will live in the area, compared with only 25 per cent now.

In traditional Hong Kong style, a number of Chinese entrepreneurs were far quicker off the mark and are now poised to cash in on one of the largest schemes of its kind in the world. Given the speed of development, it is not surprising that several foreign-owned companies have only recently woken up to the potential and are scrabbling for a piece of the action.

In the words of Mr. John Don, director of new territories development in the Public Works Department, "planners in Britain draw up their proposals which are then kept in a drawer for 20 years. Here, work starts on the plans even before they are completed—planners cannot put their mistakes in a drawer."

The New Town Programme arose from the setting of a Government target in 1973 for the provision of homes for 1.8m people in 10 years.

Because of the shortage of space in the existing urban areas of Hong Kong island and Kowloon, it was decided to develop three new towns—Sha Tin, Tuen Mun and Tsuen Wan, as well as expanding the "market towns" of Tai Po, Fanling and Yuen Long.

Initially, the aim was to produce a 50-50 split between public and private housing but, in order to keep up with the government's overall target, the final public housing element will be closer to 65 per cent.

Work began in 1973 but was hit the following year by the economic recession. This setback contributed to the dismissive attitude of those who considered the new towns scheme little more than a grandiose plan, or who failed to grasp its magnitude.

Indication of the acceleration of the programme is given by the figures for resumption of New Territories land by the Government—from 1.56m sq ft in 1975 to an anticipated 36m sq ft in 1980-81. About 50,000 people a year, mostly tenants and squatters, are pushed off the land, and become the responsibility of the housing authority.

By 1975, construction was in full swing. Because of Hong Kong's hilly, rocky terrain the creation of the new towns started with land formation, flattening hills or filling the sea. In some places, such as Castle Peak Bay, the two were combined and mountains were moved into the sea.

In Sha Tin the total fill amounted to 30m cubic metres. The cost of developing the town, which legend says once provided the emperor's favourite rice, is HK$5,000m and that excludes the race course and private development.

Sha Tin, where the target population figure is 570,000 from 44,000 in 1977, posed special engineering problems because it is subject to cyclonic surge. This meant that land formation had to be safely above sea level. And because it is situated in a virtually land-locked harbour, full primary and secondary sewage treatment had to be organised.

Shanghainese textile mill owners fleeing from the Communists in China formed the initial impetus for development in Tsuen Wan, for which the population target is 900,000. Government expenditure in the next 10 years is expected to total HK$2,890m.

Cost of development at Tuen Mun, an old fishing village which will grow from 55,000 residents to 540,000, is put at HK$3,900m. Already investigations are being made into a 600 hectare extension to the south-east.

A complicating factor in Tuen Mun was last year's approval of the construction of a power station at Tap Shek Kok. This involved a major rethinking of the town's potential and a replanning of parts of the town.

A further HK$3,000m will be spent on the market towns and rural townships, whose combined population will be taken to 500,000. Some HK$200m has been cut from the programme in the current financial year, although that still leaves expenditure of HK$1,300m.

There are dangers in this situation, particularly if cutbacks continue, because the setting of priorities will inevitably mean that social aspects of the New Towns and secondary features, such as landscaping, will suffer. There is a sizeable market for trees and shrubs, 8.5m of which will be required in the next five years.

Facilities

Since officials admit that the main improvement in the Government's public housing programme has been in the standard of community facilities, a cutback in these facilities would represent a retreat from the stated aim of creating balanced, self-contained communities and, at worst, a return to the soulless blocks of the early days of public housing.

A slowdown in the road programme would also be prejudicial to the New Towns, Mr. Derek Jones, the Environment Secretary, admits that without adequate transport links they would become white elephants. The HK$ 493m Sha Tin-Taipo coastal road was allocated only HK$4.5m in the last Hong Kong Budget.

There is also concern over the cost of the electrification of the Kowloon-Canton Railway, originally estimated at HK$400m but now likely to be considerably higher. The railway serves a potentially congested corridor into the New Territories, with the growth of Sha Tin and Taipo-Fanling, as well as the increasing road traffic from China, now running at 150 lorries a day.

Transport within the towns is another area requiring careful analysis of priorities. Inconvenience is caused to existing residents because transport operators prefer to wait for large population build-ups before providing full services.

In Tuen Mun, which some planners see as a potential container port with a rail link, the principle of a light rail system has been approved by the Governor. Money permitting, the system could be linked to Yuen Long.

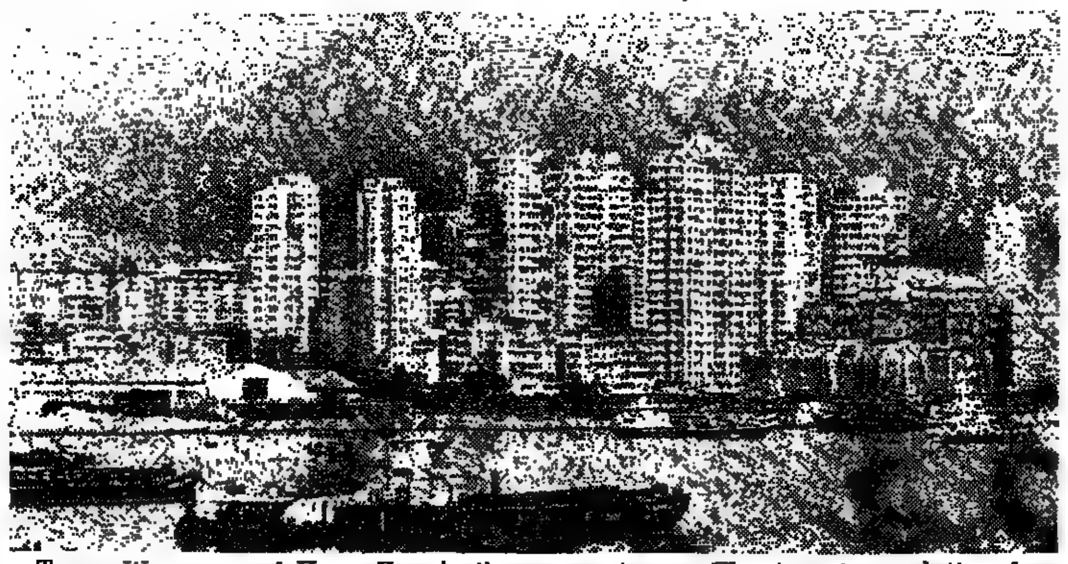
Perhaps the hardest task is keeping a balance between the growth of the population in the New Towns and the availability of jobs. Tuen Mun suffers from a labour shortage, although the planners believe this is a temporary phenomenon, while Sha Tin is under-provided with industrial land.

The scale of development in the New Towns, even if the growth of the smaller market towns is held back by the Government's financial difficulties, will shift the focus of industrial and to some extent commercial emphasis. In the last financial year some 54 hectares of industrial land were disposed of in the New Territories, and another 80 hectares is expected to be produced this year.

Between 1974 and 1978 the supply of flatted factory space in Hong Kong averaged 550,000 square metres a year, about half of it in the New Territories. The forecast for the next two years is 2.5m square metres, of which 1.6m will be in the New Territories. Provisional figures for 1980 indicate a total provision of 1.1m square metres of flatted factory floor space, 820,000 square metres of it in the New Territories.

Monumental though this programme is, the planners are looking even further ahead.

"The New Town programme will be completed by 1986-87," said a senior planner. "We must think critically about how we plan Hong Kong after the year 2,000."



Tsuen Wan, one of Hong Kong's three new towns. The target population for Tsuen Wan is 900,000.

Decisions awaited on key issues

INFRASTRUCTURE

DANIEL NELSON

"IF WE don't build a new airport, Hong Kong will be strangled," according to a senior Government official. That would appear to provide a reasonable justification for the project. But despite years of discussion, a decision has yet to be announced.

Over 5.5m passengers passed through the existing airport last year and air freight rose 25 per cent to 229,000 tonnes with a value of HK$ 14bn. Doubling up the single runway would increase capacity by only 20-30 per cent. A continuation of recent growth patterns would take Kai Tak to saturation by the mid-1980s. At that point, traffic—presumably tourists in the first instance—would have to be turned away.

There are possible alternatives to a straight Yes or No decision to an airport on Lantau Island—including siting the airport in Canton—but resolution of the matter depends on settlement of the question of the New Territories lease. The Government appears confident that if the lease question was settled, the airport could be built and financed without undue strain on the economy. Cost estimates vary from HK$ 5bn to HK$ 10bn, which could be balanced by the sale of the prime land on which the existing airport is sited, and income from premiums for the removal of present restrictions on building heights in Kowloon.

A positive answer looked slightly more likely in March when the Government announced that a decision was expected "early next year" and that a layout plan was being drawn up by Parsons Overseas Company of Pasadena in conjunction with two other consulting firms and the UK Civil Aviation Authority. Agricultural land in the vicinity of the proposed site has been changing hands at three times the normal market price.

In the eyes of many in government, the airport is linked to a second major infrastructure proposal: a bridge joining Lantau to the mainland. As proposed by Engineering Consultants Group of Hong Kong the link is actually three bridges and linking roads: a hop to the small island of Ma Wan, a 1,300 metre leap to Tsing Yi (an island which has been developed for use by land intensive industries), and another hop to Tsunwan.

The consultants, who say that work could be completed by 1984 if design work starts immediately, suggested a fourth bridge to link northern Tsing Yi to the New Territories mainland.

Cost of a bridge has been put at HK$ 1.27bn, compared with HK$ 1.26bn for a submerged tube tunnel and HK$ 1.61bn for a bored tunnel, alternatives which are also being examined by the Public Works Department. Road works at either end of the bridge could cost a further HK$ 1bn. "Given the other possibilities for development which we have," explained a senior Government official, "the cost of the bridge and associated roadworks could be justified only if we have an airport. Land development along the north coast of Lantau would be a bonus. But the bridge cannot justify land development without an airport, unless we have to accommodate enormous extra numbers of people."

That "unless" is a real possibility. The medium term population projection envisages an annual growth rate for 1976-1986 of 1.5 per cent (down from 1.8 per cent in 1966-76). But that was based on a low estimate of immigration — absurdly low given the history of cyclical bursts of immigration into the Colony.

Because of these imponderables, says Mr. Derek Jones, the Environment Secretary, "infrastructure planning must be more flexible. We must have a series of possibilities" and take decisions only when we have to."

But certain decisions have a momentum of their own. The New Town programme, for example, will proceed although work on the development of the "market towns"—Tai Po, Fanling and Yuen Long—will be spread over a longer time-scale. This is partly a result of economic constraints, but is also wrapped up with a debate within Government over the rate at which people should be decanted to new areas; one body of opinion suggests that the existing urban areas could take more people as redevelopment continues. Government commitment to New Town development also entails a continuation of the improvement and expansion of roads in the New Territories, although the road programme as a whole will slow down.

Housing

Housing, too, will expand more slowly than was planned but will continue to receive high priority, which a senior planner admitted "may entail getting a bit out of line in other things." Difficulties could lie ahead if, as is likely, the housing programme outpaces the road programme.

The Transport White Paper published in May announced Government plans to spend HK$14bn at 1979 prices on roads, tunnels and railways over the next five years. Whether this programme can be maintained will depend on the health of the economy, but there is complete agreement that nothing will be allowed to stand in the way of the underground railway in order to ensure that it maximises its revenue as rapidly as possible.

Similar reasoning protects the plans for the double-tracking and electrification of the Kowloon-Canton railway (KCR). Priority forthe KCR arises mainly from the link it provides with China but also because it is considered a cheaper option than the original concept of taking the Mass Transit Railway to Sha Tin. In these circumstances, the interchange station at Kowloon Tong, a new station for the KCR, becomes crucial. Passengers travelling from the New Territories to the urban areas in the south can switch to the underground, allowing the two rail systems to become an extension of each other.

Another example of rethinking is the consideration being given to a light rail system on the north of Hong Kong Island, instead of going immediately for an underground line.

Unlike the commitments in the New Territories, the transport plans for Hong Kong Island have not yet been settled, although decisions will have to be made within a year.

Two other key infrastructure facilities—power and water—are causing fewer headaches. For the former, current developments are sufficient to take care of demand projections until the end of the century. (The Underground will be connected to both the China Light and Power and Hong Kong Electric systems, so that all essential services can be kept operating in the event of a complete loss of supply from either company; it also has emergency diesel generators.)

On water, past developments, particularly the HK$ 1.3bn High Island reservoir, and a new water agreement with China will enable the Colony to survive until 1983 on existing supplies, unless there is a catastrophic drought. This has allowed the operationally costly de-salter at Lok On Pai to be deferred.

Studies are under way to ensure supplies in the longer term, since unrestricted demand is expected to rise from 100bn gallons a year to 176bn by 1988. One possibility is to dam Tolo Harbour and convert it into a freshwater lake. If the water was required while it was still salty, reverse osmosis desalters could be used.

Large areas of Hong Kong are now "sterilised" for planning purposes as water catchments, which places even more pressure on the scarcest resource of all: land. This is a perenially controversial subject because, apart from the engineering costs and difficulties of carving building land out of Hong Kong's hilly terrain, the Government is virtually the only source of new land for industrial, commercial or residential purposes. Government revenue from land transactions in the urban area in 1978 totalled HK$ 881m (HK$ 628m in 1977) and revenue from land sales in the New Territories HK$ 137m.

There is a shift in Government thinking away from housing-led development into a more positive search for new areas to open up, particularly for industrial development. The two most promising areas are Junk Bay (which could provide a satellite town for 200,000, with some 72 hectares of new industrial land) and Lantau—which is why the bridge decision is so crucial.

Programme falling short of targets

HOUSING

DANIEL NELSON

DISASTERS and riots have proved effective in forcing unresponsive Hong Kong administrations to make major policy changes. The extensive social welfare programme has its origins in the Star Ferry riots, and the Government housing programme in the fire which raged through the Shek Kip Mei squatter area on Christmas Day, 1953, leaving 53,000 homeless. "Great Fire Mars Holidays" declared the South China Morning Post headline, a somewhat low-key approach to a disaster which has changed the face of Hong Kong.

The Colony faced an acute problem at that time: a stock of some 170,000, mostly substandard, dwellings for a population which a refugee influx had increased from 600,000 in 1945 to more than 2m. A quarter of a century later almost 2m people live in 372,000 flats provided or subsidised by the Government, with a further 2m in 400,000 private sector flats.

This is clearly an impressive improvement, but a glance into some of the flats detracts from the glamour of the statistics. There are still 240 Mark I and II blocks, which were the first units to be constructed after the emergency post-fire accommodation. They are concrete boxes with communal lavatory and washing facilities. The standard is basic. A modernisation scheme began in late 1972, appropriately at Shek Kip Mei, but there are still 400,000 residents living in them, in extreme cases at a density of 8 square feet per person. It will take 10 years to rehouse them at the current rate of development.

Official guesses put the number of squatters at 500,000, so even concentrating on these two groups alone there is an enormous job to be done. Overall standards of public housing have been steadily improved, but the area per person has remained roughly constant at 35 square feet. "Living units are small," admits Mr. Donald Liao, the Director of Housing, "but they are livable. And the community facilities are much better. The bulk of flats are still one big room, but most are now self-contained. That is an enormous improvement. We have found a standard below which we will not go and on which we will improve in years to come," he stresses. "Densities are very high—in the Oi Man estate, opened in 1974, it is 1,720 per acre, but there's enough space to walk around. We have made it work."

There is no stigma attached to public housing, and arrears run at only 0.84 per cent of the total monthly rental, an indication of the reasonableness of the rents (between a quarter and a fifth of comparable commercial charges) and of the effectiveness of the Housing Authority's door-to-door collection service.

Blocks

Between the Shek Kip Mei fire and 1973 there were two streams of housing: the resettlement blocks for squatters and the units built by the Housing Authority to provide homes for those in existing tenements. The process became more streamlined after 1972 when Sir Murray MacLehose, the present Governor, took a look at the housing situation, declared it offensive to "our humanity, our civic pride, our political good sense," and decided to attempt to break the back of the problem. A 10-year programme to provide 1.8m individual units was drawn up with the aim of housing almost the entire population in self-contained accommodation.

The numbers target is slipping, threatened by budgetary cutbacks. In his 1977-78 annual report, Mr. Alan Scott, the Secretary for Housing, looked forward to production of 18,000 flats in 1978-79 and 44,000 a year thereafter until 1982-83. But in his recent budget, Mr. Philip Haddon-Cave, the Financial Secretary, gave the projections as 14,100 flats in 1978-79, rising to 35,600 the following and subsequent years.

At the same time, the programme is under pressure from the new influx of immigrants and the trend for young couples to want their own homes instead of living with their families. So Hong Kong is back in its familiar position of running faster in order to stay in the same place.

The Government's housing arm has been hit by the rise in construction costs and the overheating of the construction sector, to which it is a major contributor. The public sector's share of building and construction output has risen from 26 per cent in 1970 to 50 per cent in 1978, when housing and public works were directly responsible for the new high figure. The tender price index for public buildings rose 21 per cent in 1978 and the situation has now gone beyond one of juggling with rising costs. Contractors have so much work on hand that they are either not bothering to tender or are submitting ludicrously high estimates for housing projects, so the schemes are withdrawn for reconsideration.

Measures to overcome this difficulty include a Housing Department attempt to attract overseas companies through the use of serial contracts. A 12,000 flat scheme in Tuen Mun will be awarded on this basis in 1979.

The Home Ownership Scheme has also been hit hard by rising construction costs. The original intention was to "lure the rich out of public housing" by building good quality flats and selling them at prices below those obtaining in the private sector. The publicly stated target was to produce over 42,000 flats in 10 years. Those eligible to qualify were households earning up to HK$3,500 a month and Housing Authority tenants whatever their income. There were howls from the private sector about Government encroachment, but the Administration argued that it was aiming at people who could not afford private flats, "the forgotten group."

The first phase of the scheme—8,300 flats to be completed by 1979-80 at between HK$93,000 and HK$166,000 apiece — was heavily oversubscribed. The second phase intention was to complete 4,400 flats by 1980-81, but officials acknowledge that this figure has been reduced to 3,500-4,000.

A further change was announced last May, extending eligibility to families with a monthly income of up to HK$5,000. Because of the property boom and high interest rates it was felt that families earning less than this amount could not afford to buy a new privately built flat.

The average price of a flat with a net area of 45.5 metres in the first phase was HK$131,000. For the second phase the price has risen to HK$160,000 and the estimate for phase three is HK$250,000. To hold prices within the range of the target group, the average size of the flats was reduced by 10 per cent in the second phase and it is planned to lop off a further 10 per cent for phase three.

Mr. Liao insists that despite the difficulties, the Housing Department is not cutting back standards; it is simply not moving as fast as planned. "On top of the other problems the rate of immigration must have an adverse effect on our programme. We had hoped to break the back of the housing problem by the mid-1980s. This may be put back two years." Even that may prove to be an optimistic assessment.

Gulf between the rulers and the ruled

LOCAL GOVERNMENT

DAVID DODWELL

THE HONG KONG Government's only report on local government quoted Confucius: "It is possible to make the masses follow what should be followed, but it is not possible to make them comprehend why it should be followed." The miniscule ruling elite in Hong Kong seems to agree heartily.

Just a handful of people rule Hong Kong's 5m population under a constitution set down by Britain's colonial administration more than 130 years ago. Each of these rulers is appointed rather than elected, and the absence of all but the most nominal apology for democracy has roused increasing criticism, protests and a growing awareness of the gaping rift between rulers and ruled.

Hong Kong's Chinese population, most of them still young and much better educated than their parents, are no longer prepared to accept diktats from on high without question. As a strengthening sense of nationhood emerges, so the people want a greater say in the way their lives are governed.

Elsie Elliott, a member of Hong Kong's Urban Council and a dauntless campaigner for social rights, said recently: "The Hong Kong people are no longer a refugee population afraid of deportation if they speak up. The younger generation were born in Hong Kong: they are now getting higher education: they are beginning to ask why they have no rights."

Hong Kong's ruling elite hotly contends these claims. First, it claims that critics, though noisy, are small in number, echoing the views of a tightly knit intellectual minority. It then claims that the present system of government serves everyone's interests better than any other could, and that a number of checks and balances have been introduced during the past decade to ensure that rulers stay in touch with public opinion and get effective feedback on policy measures.

Hong Kong's highly centralised and unitary government certainly offers advantages in terms of efficiency and tidiness. Many administrators proudly point out that Hong Kong is saved the cant and gerrymandering of "politics"—by which they mean elective party politics.

Martin Rowlands, secretary for the civil service and an official member of the legislative council — Hong Kong's "parliament" — reflects this view. "People genuinely appreciate an attempt at honest government, and appreciate the results. More than anything else they want stability and the opportunity to conduct their business with the minimum of interference. They want government to be responsible, efficient, progressive and caring."

He feels that Hong Kong's governmental structure guarantees this: at the pinnacle, the governor is responsible directly to the Queen. Below him, the executive council (Exco) comprises the governor, five ex-officio members and 10 nominated members. Exco, primarily a consultative body, meets in camera normally once a week.

Below Exco is the legislative council (Legco), comprising the governor, four ex officio members, 16 appointed official members (called "officials") and 24 appointed unofficial members (called "unofficials"). Legco enacts legislation and controls public spending. It meets in public, normally twice a month.

Apology

Below this body is Hong Kong's apology for democracy—the urban council (Urbco). Urbco has 12 appointed members and 12 elected members. It has power over sanitation and hygiene. Voters must have lived in Hong Kong for at least three years, be over 21, be regular tax-payers, rate-payers, holders of school certificates. Teachers, civil servants and some professionals also qualify. A grand total of 6 per cent of Hong Kong's population is qualified to vote.

The conservative camp on Urbco (the majority) feels that a more substantial concession to democracy would court folly. One typical view comes from John MacKenzie, a member of Urbco: "We should rationalise and regularise the Urban Council by ensuring that the best qualified and most widely accepted citizens are selected, and invited to serve on the council. Some elective presence should remain but on a diminished scale."

A working party set up in 1966 by the then Governor Sir David Trench to investigate local government reforms claimed in its report: "There is definite risk that a system based on popular representation as determined by the ballot box could quickly become controlled by unscrupulous or corrupt power-seekers." In this context, social activism is "trouble-making."

Elsie Elliott, also an Urban Councillor (elected), does not agree: "The only principle that exists in Hong Kong Government is freedom for the ruling class to make money without having to consider the rights of any but their own class. The electorate for the Urban Council is made up of privileged people—and only privileged people. I have a case load of about 500 people, and there isn't a voter among them."

It would be unfair to say that Hong Kong's rulers have made no reforms. The New Territories administration has set up a wide network of local committees to act as "conduits" between government and the local community. The Home Affairs Department followed with City District Offices (CDOs) after the shocking riots in 1967, which spilt over from upheavals inside China.

These CDOs aim to be "uncles" to Hong Kong's urban population, channelling government decisions through to them, providing them with access to Government departments and services, and feeding back to the Government opinions on Government policy from the grass roots. This network claims numerous successes, although it has often roused resentment inside other Government departments when it has fed back to them public criticism of their actions or policies.

Its role in smoothing ruffled feathers, and helping people to get approriate compensation during the immense social disruption as the Mass Transit Railway was built, produced favourable comment from all quarters.

Other checks and balances exist: the Director of Audit weeds through the government accounts every year in search of negligence or misconduct and has in the past come up with substantial criticisms requiring Government action. His recommendations are considered in detail in the Public Accounts Committee, which meets in camera. The Director's instructions when preparing its reports, are to deal with "principles, systems and procedures rather than with details and personalities"—a situation hardly conducive to full disclosure.

Hong Kong also has "government by phone-in." Every department has a senior officer on call every morning to deal with complaints or criticisms voiced by callers to Radio Television Hong Kong (RTHK). Presenter Steve Aylward justifiably claims numerous successes as officials have acted on these criticisms, but some people claim he has become something of an apologist for the government.

Elsie Elliott is not impressed by these concessions however: her closely documented evidence of government injustice, bullying, complacency, incompentence or corruption is massive, and stretches back many years. The now notorious police corruption trials which resulted in the dismissal and conviction of police chief Peter Godber were forced to the fore by Elsie Elliott. Government officials have learned to take careful note when Elsie Elliott points the accusing finger. While her incorrigibility is legendary in Hong Kong it is also rare: most people are intimidated into political inertia by a bullying government, according to Elsie Elliott. "I reckon it takes from three to six months for a newcomer to Hong Kong to become either one of US or one of THEM," she said in a recent pamphlet. "US means the colonials, the social climbers, the omniscient and omnipotent ones. THEM means the rest, numbering about 4m people, the ordinary folk."

It is this polarisation that she most fears. She reports a strengthening undercurrent of militancy and unreason among "the ordinary folk," which augurs ill for Hong Kong's political future.

The impregnability of Hong Kong's rulers angers her greatly: "A member of the administration can do any darn thing. He can be corrupt, lazy, ignorant or incompetent and will barely ever lose his job."

At the root of this criticism is an attack on the continued heavy use of expatriate labour, particularly at the highest levels of Government administration. While expatriates make up only 3 per cent of Hong Kong's 127,000-strong civil service, at the directorate level (where salaries are in excess of HK$11,000 a month) expatriates make up 64 per cent of the workforce. Among top management, the next rung, expatriates make up 40 per cent.

Grievances are compounded because expatriates get two important perks: assistance with housing (which is cripplingly expensive in Hong Kong) and paid home leave every year, with extra holiday to facilitate this.

Grounds

The Government defends its policy on two main grounds: first, government is still colonial, and neither the British nor the Chinese governments would be happy to see too much power devolve to the indigenous Hong Kong population. Second, Hong Kong lacks many specialists needed in a sophisticated administration, so these have to be imported. Critics accept these points in part, but claim these requirements do not justify such a large expatriate labour force—or the perks given to them.

Again, Elsie Elliott is blunt: "The withering of Britain's colonial service means fewer and fewer expatriates have experience or expertise to match local people. The fact is that many who come are ambitious men who are not good enough to fulfil their ambitions in Britain. Basically, they are throwouts. But when they arrive here they are almost guaranteed safe passage to the top. The Chinese, who know all the answers, are usually passed over."

Elsie Elliott's comments may seem harsh, but they reflect a substantial body of opinion among Hong Kong's Chinese population—a body of opinion that would have to be listened to much more attentively in an elective democracy.

هكذا من الأصل

Demand for world action on refugees

Urgent new moves are being made to halt the flood of illegal immigrants crossing Hong Kong's 15-mile land border with China. After their arrest, immigrants (above) receive a bread ration from a Gurkha soldier.

IMMIGRATION

DAVID DODWELL

HONG KONG has been hit by a human monsoon, as no end seems in sight to the flood of pathetic Vietnamese refugees pouring across the South China Sea towards Hong Kong, so the Government has warned the world that it is near the end of its tether.

Hong Kong Governor, Sir Murray MacLehose's alarm call was made—for maximum impact—in Britain and the United States, during his recent tour of western capitals. Coinciding with Malaysian threats to shoot Vietnamese refugees as they tried to come ashore, Sir Murray's warnings struck powerfully home.

The call by Mrs. Margaret Thatcher, Britain's new Conservative Prime Minister, for an emergency UN conference on refugees, was probably a direct result of Sir Murray's visit. So, too, was Foreign Minister Lord Carrington's whistle-stop visit to Hong Kong, for a first-hand look at the refugee problem.

Victory in the battle to attract world attention to the refugee crisis is, however, only a first stage in the war being waged to resolve the problem. Hong Kong is now isolated as the only remaining refuge for escapees from Vietnam as they drift with the south-west monsoons. Unless the sympathetic sentiments voiced by Western leaders are backed promptly by concrete action, then the colony faces a dilemma of dreadful proportions.

Between January and the end of June, over 53,000 Vietnamese refugees arrived in Hong Kong. They continue to arrive at a rate of more than 1,000 a day and local analysts predict 200,000 will have arrived in Hong Kong waters by the end of the year.

At the same time, immigrants both legal and illegal are pouring in from China. An estimated total of 150,000 arrived up to the middle of June, and while the flow has been staunched in recent weeks, Government experts still predict an influx for the year of more than 230,000.

Crowded

Hong Kong is already one of the world's most crowded corners: one area of Kowloon boasts a population of 144,000 people per square kilometre. Around 5m people squeeze into a land area of 404 square miles, and the prospect of absorbing another 400,000 as a result of one year's uncontrolled migrant influx is a daunting one.

The Hong Kong people themselves make a clear distinction between the Chinese and Vietnamese arrivals—and it is the Vietnamese who arouse the most venomous feelings. Chinese immigrants may be marginally more numerous, but most of them are single men, aged between 18 and 28. Linguistically and culturally they merge easily—and are eager to do so. Many have relatives already in Hong Kong, albeit distant relatives. They bring few dependants, and while they arrive with no particular work skills, they can easily be absorbed by Hong Kong's labour-hungry industry.

In contrast, the Vietnamese arrive with large numbers of dependants. They have no interest in settling in Hong Kong, and plan to stay only as long as is necessary to get entry visas to the United States or other countries of apparent golden opportunity. Few speak Cantonese, and when offered the opportunity of language tuition, opt to learn English. Many are peasants, and have adapted poorly to jobs offered in local industry.

The refugee camps which now hold the Vietnamese are bursting at the seams, and the cost of keeping them is easy to count—they are a clearly visible social problem. Immigrants from China may eventually cost the Hong Kong Government much more, but these costs are, and will continue to be, diffuse. In consequence, the issue of Chinese immigrants is much less emotive.

As refugees, the Vietnamese present a number of anomalies. Early arrivals were all ethnic Chinese, but the recent influx has included an increasing number of ethnic Vietnamese. Those from the south (an increasing proportion) are often wealthy. It is now acknowledged that they pay dearly for safe passage out of Vietnam—up to $2,500. Even before other SE Asian countries began to turn them away, many aimed for Hong Kong simply because the authorities made no attempt to confiscate the gold leaf which they carried with them, the last remnants of their wealth.

Most face persecution in Vietnam because they are racially Chinese; because they made up Vietnam's pre-revolutionary *petit bourgeoisie*, or because they worked for the U.S. Army, while it was fighting in Vietnam. Increasing numbers of refugees repeat the same story: their property confiscated, then work permits and food ration cards are withdrawn. They are then given a choice between buying their way out of the country or being sent to one of Vietnam's "New Economic Zones." Whenever cash can be scraped together, the choice is a simple one.

The refugee influx reached epidemic proportions in April when East Asia's monsoon winds began to turn: throughout the summer, the south-west monsoon will push Vietnamese refugees relentlessly on to Hong Kong's western shores—so long as they don't sink and drown before they reach there. The Hong Kong authorities claim that one refugee drowns for every one that leaves Vietnam.

This fact, if no other, should galvanise Western Governments into action. The UN conference called for July 20 in Geneva may seem to have been swiftly arranged, but many thousands of lives will be lost even in this short time.

Slow action by the Western powers has led the nations of South-East Asia to the verge of despair. In theory, Vietnamese refugees should be no more than a passing problem: Western Governments, particularly the U.S. and France, acknowledge that Hong Kong, like Malaysia and Indonesia, is simply a processing centre, and that the Vietnamese will move on, in due course, to permanent homes.

The problem is that they are being processed at a snail's pace. For every 100 refugees processed more than 1,000 arrive to await processing. The U.S. has recently doubled the rate at which it is prepared to accept refugees to 14,000 a month, but even this is inadequate to deal with the influx.

In the meanwhile, the price of housing and feeding the refugees mounts alarmingly. They cost the Hong Kong Government an estimated HK$110,000 a day. Pocket money was cut in April from HK$ 8 a day to between HK$ 4 and HK$ 6, depending on family size.

The UN High Commission for Refugees (UNHCR), which shares costs with the Hong Kong Government, claims its coffers are almost empty. Refugees awaiting resettlement are encouraged to find part-time jobs, but they have proven to be fickle and unreliable workers.

The Government is also running out of places to put refugees. The two initial processing centres, at the Government dockyard, and near Kai Tak airport, hold 16,000. Prisons house a further 2,500. A warehouse has been converted to take 11,000. The Government has leased other properties to the UNHCR: the main camp at Sham Shui Po holds 6,800 after extensions completed at the end of May. Nearby, the Jubilee buildings house a further 2,000.

Squeeze

A further 2,700 were housed abroad the Panamanian freighter, *Skyluck*, which arrived in Hong Kong waters on February 8. But just over a week ago, crew members managed to cut the anchor chain and the *Skyluck* ran aground on one of Hong Kong's offshore islands. The refugees on board have since had to be squeezed into prison accommodation on Lantau island. As more refugees arrive, the government is drawing up contingency plans to clear warehouses, multi-storey car parks, hotels and even ferry boats.

As a matter of principle, the colony's Government is reluctant to make life too comfortable for refugees: that would encourage Western governments to drag their feet even more. The uptake of refugees by Western nations has disappointed Hong Kong, and driven the ASEAN leaders to take a much harsher stance.

When Margaret Thatcher's new Conservative Government in Britain tried to renege on its commitment to accept the 970 refugees picked up in May by the British boat, Sibonga, Hong Kong was truly alarmed. Was the West going to baulk even on the minimal commitments already made?

Hong Kong is adamant about the urgent need for an adequate resettlement programme to be agreed. But it has now become clear that a second objective must be achieved if the refugee problem is to be solved: the Vietnamese Government must be persuaded to change its policy—at least to the extent of allowing an orderly departure of refugees. The Geneva conference must attain these two objectives as a minimum if the nations of SE Asia are to be appeased.

Attractions

While the Vietnamese refugee problem still remains unresolved, the crisis over immigrants from China may have passed: concerted action by authorities on both sides of the border seems to have brought the problem under control for the time being, at least.

It is not difficult to see the attraction of Hong Kong for many young mainlanders: living close to the border, the sky to the south glows every night from the lights of Hong Kong. This British enclave offers not only bright lights, but the tantalising prospect of wealth and escape from the gruelling and schizophrenic life under Communist rule.

The greatest problem comes from illegal immigrants (called "I-Is," or "eye-eyes" in local jargon). These flooded in when China's war with Vietnam broke out, because border patrols were thinned drastically. Hong Kong patrols have been at full stretch since last autumn, however. In the first six months of 1979, about 150,000 Chinese crossed into Hong Kong—most of them "I-Is." About 45,000 have been sent back.

It only becomes possible to log accurately the rate of illegal arrivals when "I-Is" "touch base": if they reach the Hong Kong urban area, then after three months they can safely apply to the Registrar of Persons for an identity card and a right to permanent residence.

The alternative, Hong Kong officials insist, is an "underground" population with no right to legal work or residence—a recipe certain to produce drug trafficking, black marketeering, petty crime, prostitution and other illegal means of earning a living.

During the past month aspiring immigrants have been much less successful in slipping through the net flung along the border between Hong Kong and the mainland. An extra 1,000 troops from Britain, with extra helicopters, a hovercraft and a fast patrol boat, have no doubt helped to reinforce border patrols on the Hong Kong side.

New laws enabling police to detain "I-Is" for court appearances (until recently they were returned to China within 24 hours) has helped in the campaign to catch "A-As"—aiders and abettors. So too have new laws permitting police to board any vessel suspected of carrying "I-Is," and to seize vessels of any size found carrying them.

But these can only be stop-gap solutions. A long-term solution can only be achieved if the Chinese authorities take pre-emptive action on the other side of the border.

Illegal immigration was high on the agenda when Sir Murray MacLehose made his historic visit to Peking in April. Sir Murray returned convinced that the Chinese authorities were aware of the scale of the problem, and appreciated the advantages to both sides if the flow could be staunched.

The Chinese appeared to ac[illegible] China's interest that Hong Kong should remain prosperous, and that continued large scale immigration is likely to weaken severely the economy—by putting fresh strains on public services, welfare services, hospitals and schools, and by exacerbating Hong Kong's acute housing shortage.

Chinese action since Sir Murray's visit seems to have matched that in Hong Kong for effectiveness: border patrols have been strengthened as troops from the 42nd Army have returned from Vietnam. A propaganda campaign seems to have been mounted criticising aspiring emigrants, and tougher punishments seem to await escapees returned to the mainland.

The Hong Kong authorities urgently needed a respite on the border with China: they can now concentrate on tackling the Vietnamese refugee crisis. The Geneva conference on July 20 cannot come soon enough.

No end to the Kung Fu craze

THE FILM INDUSTRY

SIMON LLOYD

THE FLYING fists of Kung Fu Maestro Bruce Lee had cash registers ringing round the world for the Hong Kong film industry. The martial arts master launched an international craze for Kung Fu and at the same time put Hong Kong firmly on the film map of the world.

Nobody has come along with the same charisma to capture the imagination of audiences. But the local industry certainly has no complaints about box office receipts, with the two big production companies in the Colony — Shaw Brothers and Golden Harvest — painting a rosy picture for this year.

Golden Harvest, for which Bruce Lee was such a goldmine, *has about 14 films on the production line for this year:* including a US$17m thriller *High Road to China* to be directed by John Houston. A company spokesman said: "We've averaged about 12 films a year since we were founded in 1970. This year is going to be one hell of a year. The films will be predominantly action comedies. Kung Fu is becoming a little frayed at the edges nowadays. There is never going to be another Bruce Lee."

The company has also just had a very pleasant financial surprise in Japan, which ranks after the U.S. as one of the world's most lucrative film markets. They released a Hong Kong comedy *Private Eye* with two talented local Cantonese brothers, Michael and Sam Hui, as the stars. Everyone thought the humour was too parochial—it would never travel, they said. Golden Harvest hired a top team of Japanese comedy *writers to do the subtitles,* business boomed at the box office and a Hui follow-up is now underway for Tokyo.

Shaw Brothers, the cinema giant of Asia, is also full of optimism about 1979. It has plans to complete about 40 films this year, which will boost production by about 10 per cent.

The company has a chain of about 160 cinemas around Asia. A spokesman said: "The overseas Chinese will always be our big market. We primarily cater for them and are having a pretty good year. We also do film financing, which we believe is better than international co-productions. Controlling production lines out of Hong Kong is rather difficult."

Hong Kong, famed backdrop for *The World of Suzie Wong* and *Love Is A Many Splendid Thing*, is still proving to be a popular location site for overseas film companies, with more than 30 films being made in a year.

Coming Home, which won Oscars for Jon Voight and Jane Fonda, came to Hong Kong for Fonda and her screen husband Bruce Dern to enjoy some *celluloid rest and recreation* away from the Vietnam war. Elaborate stunts were staged for the bumbling Inspector Clouseau as Peter Sellers gallivanted his way through the latest Pink Panther saga in the back alleys of Hong Kong.

Ryan O'Neal, star of the hugely successful weepie *Love Story*, came with Candice Bergen to Hong Kong for the follow-up — *Oliver's Story* — which took the crew to the picturesque fishing port of Aberden, famed for its garish floating restaurants.

Advantages

The film crews don't just come here for the exotic backdrop. Labour costs are low, local technicians are easy to hire and getting more proficient every day.

The Government also happily smoothes the path for the new arrivals—no permits are needed for visiting production units. All they have to worry about is trying to film in some of the most overcrowded streets in the world.

Hong Kong is full of avid movie fans, cinemas are packed out every night. But a glance at the box office blockbusters show how narrow their tastes can be at times. A look at the top 20 money spinners show the Hui Brothers' special Cantonese brand of slapstick comedy to be the big winner. They take three of the top four places with their films. The top foreign entry down at No. 5 is that daddy of the disaster epics—*Towering Inferno.*

Avid fans of quality films from the West have slim pickings to choose from. Local critic Mel Tobias, who recently wrote a book reviewing the post-Bruce Lee film industry, complains: "If a film doesn't pick up at least one Oscar or make money elsewhere in the region, it won't be shown in Hong Kong." *Come Oscar time* eager cinephiles rush along to catch the main winners before they vanish from the screens *after an all-too-short* appearance.

The "skin flick" is another notable and widespread phenomenon on the screens of Hong Kong, but Tobias complains: "The irritating thing about reviewing films in Hong Kong, particularly sex films, is that by the time they reach our screens there is really very little flesh left after the censors have been *through them,* scissors waving, killing even the continuity."

Tobias's book is illustrated with some fairly steamy scenes from local productions, but Hong Kong Film Censor Nigel Watt points out in his introduction to the glossy book: "Some of these photographs are the imaginative products of studio still photographs and do not necessarily depict scenes as they appeared on the cinema screens of Hong Kong."

Bruce Lee, who died six years ago, still casts a giant shadow over the industry which once poured out a flow of look-alike movies with titles like *Bruce Lee, We Miss You.* Those days are gone and Mel Tobias reflects optimistically about the industry, concluding: "Somebody may just come along to put Hong Kong back into the international limelight."

A director of Shaw Brothers—who last year produced 70 films—directs a Ching Dynasty period film at the famous "movie city" in Clear Water Bay, Hong Kong.

Bewildering statistics

GAMBLING

BY A CORRESPONDENT

THE HONG KONG Chinese would happily bet on a race between two raindrops trickling down a window pane. If you think this is an exaggeration, take a trip to the racecourses of Happy Valley or Shatin and watch the fanatical Chinese punters in action. They put a mammoth HK$10m on every single race. A look at the Jockey Club turnover statistics for this year shows that per capita every man, woman and child in Hong Kong wagers HK$950 on the horses, one of the highest gambling rates in the world.

The English may have a fondness for individual horses which develops into a passion when it's Red Rum or Arkle. But in Hong Kong the crowd is out there rooting for Number Three. The courses particularly the newly opened Shatin on a spit of reclaimed land, may offer some of the most up-to-date racing facilities in the world. But when it comes to horses, the average Hong Kong racer would not be out of place in a selling plate at Catterick. That is of little importance to the Hong Kong punter, eager to win the quinella or other exotic bets that offer him the kind of stupendous odds the tierce punter gets in France.

Hong Kong had 65 race meetings this season and every one was packed out. The gamblers took Shatin — an engineering miracle built on 16m tonnes of reclaimed *land*—to their hearts, though some of the longer-priced winners may have hurt their pockets.

The Jockey Club, which gives the bulk of its profits to charity, does not stop there when it comes to pandering to the Chinese passion for gambling. It also arranges the Mark Six lottery, Hong Kong's answer to Bingo, for 4.7m people. As the name suggests, you have to pick six out of 36 numbers in the twice-weekly draw. The Chinese, eagerly hunting for the big bonanza, happily invest more than HK$2m a year on this *game, which depends on pure* chance and nothing else.

Sunday horse-racing was introduced for the first time *this season* and it certainly proved popular in a tiny territory where leisure pastimes are often hard enough to find for today's increasingly affluent young Chinese, who have come a long way from the misery of their refugee parents who just strugggled to survive. About 40 per cent of the wagers were made on course, with the Club's wide circle of off-course betting shops providing the rest of the revenue.

That is as far as legal gambling extends in Hong Kong. *Anything* else is outside the law —bar the odd friendly game of Mahjong, where no commission is taken.

Last year Hong Kong police made almost 12,000 raids on illegal gambling dens, resulting in 13,429 arrests. Despite the *impressive statistics, a police* spokesman did say: "It is the opinion of the police that when compared with the many other *problems the general public* faces in Hong Kong illegal gambling cannot be considered serious."

There are special anti-gambling squads in every police division. Their main problems are small-time illegal casinos, usually operating out of private flats in high-rise buildings. They are very difficult to track down. They rarely operate out of each flat for more than two days and are constantly on the move. Regular clients are contacted by their pager buzzers and can easily be assembled, operations are hard to track and crack.

Moreover, the courts tend not to slap on the maximum fine once an offender is caught. You can get two years' imprisonment and a HK$500,000 fine for operating an illegal casino. On average most offenders escape with a fine of HK$5,000-10,000. Gamblers are much luckier, escaping with pinprick fines of HK$150-200.

Police anti-gambling activities do not stop there. Illegal casinos are their main beat, but they will also raid building sites to catch workmen playing *Pai Kau*, the Chinese equivalent of dominoes, for money. Illegal bookmakers are another popular target, although catching them in the member's stand on the race course is often a tricky task. Bets are passed by word of mouth and debts settled afterwards outside the track.

But the Hong Kong Chinese are not just confined to the race course in their eager search for the fast buck. Just 40 miles across the Pearl River are the beckoning casino lights of Macao, the delightful old Portuguese territory that is an oriental gambler's dream. There the casino syndicate makes an estimated U.S.$390m a year out of the Chinese passion for gambling; a large slice of that money goes towards the Macao Administration's revenue.

Variety

Macao, the oldest European settlement in Asia, is a particularly fascinating place to gamble in because of the variety it offers. There is the delightfully seedy floating casino down on the waterfront where the imaginative tourist can easily visualise himself being *shanghaied* on a misty night. Then there is the huge and extraordinary Lisboa Hotel, a 21st century structure whose gambling tables look more like a *stage set* for a film like *Close Encounters of the Third Kind* than a casino.

The Westerner coming to Macao should also throw away all preconceived ideas of what a casino looks like. Forget the elegance and sophistication of Monte Carlo, with its dinner-jacketed James Bond types and their lithe escorts. *Don't think you will be transported into the* brash vulgarity of Las Vegas with all its neon lights, show girls and one-arm bandits. In *Macao the ultra-serious business* is gambling and you'll be rubbing shoulders with a wrinkled old fisherman or an amah (Chinese servant) determined to win that elusive fortune and escape the breadline.

But all too often the "loan sharks" who do such a lucrative trade — offering outrageously high interest rates in exchange for the unfortunate gambler's travel documents — do a roaring business with the desperate.

Even so, the sharks do nothing to deter the ever hopeful Hong Kong gambler. Every weekend the hydrofoils are packed with eager punters. Gambling is a part of the expatriate Chinese way of life, and whether it's the casino or the racecourse, they genuinely revel in every minute of it and happily gamble away fortunes that most could ill afford to risk, let alone lose.

A big future for 'talking computers'

BY MAX WILKINSON

"Hello, this is the computer speaking, what do you wish to order?"

"RQ OD PT N 15674331."

"Sorry, that part has been replaced by N 15674339."

"RQ OD PT N 15674339."

"Thank you, the order will be despatched at once."

MAYBE this doesn't sound all that wonderful. Certainly it is *not in the class of telephone* conversation which Buzby keeps enticing us to have with our loved ones. But talking computers are not programmed to be intimate. Endlessly polite, they are; invariably patient. But as conversationalists, definitely limited. Perhaps it is a wonder that they can talk at all.

In fact, talking isn't the difficulty nowadays. The problem is that computers can talk indefatigably, but are poor listeners.

To make yourself understood by a computer you have to treat it like an imbecile: speak slowly, very clearly and with a few simple words. A suitably programmed machine could understand "ONE, BROWN, COW," but the possible identity of a "silly old cow" would almost certainly have it stumped. Moreover, computers will not respond to a question from a voice which they have not been programmed to recognise.

For these *reasons the talking* computers which are beginning to appear in the commercial market do not usually accept spoken commands from their users. A system sold in the UK by Menzies Communications Systems—a subsidiary of the British chain of newsagents—for example, uses a small calculator-style keypad which is coupled to the mouthpiece of an ordinary telephone.

In the example at the beginning of this article, the user would dial straight into the computer and press buttons on his keypad to transmit his identification code and his requests. But the computer responds with an ordinary human sounding voice.

The great advantage of a talking computer is that it is much more accessible than conventional systems. These usually communicate with human operators by displaying information on a bulky and expensive television screen. To communicate with a talking computer, all that is needed is the special keypad costing £100, or less and access to a telephone. The computer itself, of course, must have special voice production electronics.

Salesmen

The Menzies system has been installed by several motor car companies to enable servicemen throughout the country to dial straight into the central computer to order spare parts. It is also used by travelling salesmen who want to make up to *the minute checks* on the availability of stocks, while visiting their customers. It could also be used for the validation of credit cards by stores and *shops* which could dial straight into the computer instead of having to go through an operator.

The Menzies system cannot, *in discursive terms*, be considered a great talker, although its vocabulary of up to 400 words is adequate for its menial function as electronic filing clerk. It uses a spinning disc on which words and phrases have been pre-recorded by a live human. The computer assembles these words into the order required to make its sentences, and the result sounds surprisingly natural.

This system is a comparatively simple example of the way in which computers are *increasingly* being programmed to imitate and even to replace human faculties—for good *commercial reasons.*

It is happening because computer manufacturers are coming under increasing pressure to find *new markets as the* cost of their products falls. The revolution in microelectronics has caused the price of computers to drop by about 35 per cent a year (for all levels of performance). That means the manufacturers will need to find a completely new category of customers *if* they are to prevent their revenues from shrinking.

To do this, they are trying to "democratise" computers, to liberate them from the jargon of the technological elite and, in short, to force them to speak our language. Systems designed for small businesses must be comprehensible to the small businessman and to some extent to the ordinary secretary.

At the same time, even the bigger systems are required to be what the industry inelegantly describes as "user-friendly." *That means they must communicate* in natural language with a growing circle of secretaries, production workers and executives who now have access to the networks of computer terminals.

Once computers can use natural language it is a comparatively small conceptual step to make them talk, although the technical feat is impressive. Texas Instruments has even produced a miniature talking computer for nursery school children. It costs £47, has a *vocabulary of 200 words* and is intended to teach spelling. The machine produces a completely synthetic imitation of the human voice which will certainly be developed for use with more complicated systems.

Professor Donald Michie, Professor of Machine Intelligence at Edinburgh University, believes that talking computer systems will be in general use in the next two or three years. He believes the systems will be used for airline reservations, stockbroking, perhaps air traffic *control and other applications* where very busy people need to obtain instantaneous information from a computer.

However, with computers, as with people, the mere ability to speak must be distinguished *from what Professor Michie* describes as "the intellectual quality of the discourse." Voice *production does not* necessarily imply artificial intelligence, although it will undoubtedly focus a great deal more attention on fascinating developments in this field.

Research into artificial intelligence does, in fact, show every sign of breaking out from the mists of speculation of the last decade to become a thing of real practical importance.

In the U.S. research is being conducted in at least 12 different institutions; and some of the larger electronics companies are beginning to take a lively interest in the results. Several of these companies, *including Texas Instruments*, have for example, recently been on an active recruitment drive among the 200 artificial intelligence researchers at Stanford University in California.

One motive, undoubtedly, is the desire to make computers better at recognising speech patterns and at understanding *their meaning.* Computers already exist which can respond to a few spoken words in a restricted context involving very few questions and answers. Their development could clearly have important military and commercial applications.

However, there is no need to be alarmed that a complete electronic Frankenstein's monster is just about to be wired together. Professor Christopher Longuet-Higgins of Sussex University points out that in addition to the practical *difficulties* of distinguishing different accents and similar sounding words, a *number of conceptual problems* are very far from solution.

What, for example, is a computer to make of the "it" in the sentence: "It is raining" or "It is advisable. . ."? Or suppose a computer is told that if "all men are mortal" and "Socrates is a man," it must follow that "Socrates is mortal." *The professor* says that if the machine was then told: "Men are numerous," it would probably deduce "Socrates is numerous."

Indeed most of the experiments in making computers converse in natural language have demonstrated the severe limitations of what is possible. Some computer programs have been able to give life-like responses to general questions but at the expense of appearing mentally disturbed or in some other way extremely limited.

One early example was a program called ELIZA developed by Professor Joseph Weizenbaum *of the Massachusetts Institute* of Technology in which the computer simulated a psycho-analyst interviewing a patient.

The computer program was so good at "analysing" its patients that some people even requested private sessions with it and some experts said that every hospital should have one. However, Weizenbaum points out that the analysis was essentially fraudulent because the *computer had* no understanding of its "patients" nor of language. It was simply going *through a series of clever* routines. Another attempt by K. M. Kolby produced a clever program called PARRY which simulated the responses of a paranoiac to questioning. However this seemed to be successful mainly because the computer could simply revert to a supposed obsession whenever it could not "understand" a question.

In general, therefore, research has shown that the problems of enabling computers to respond to ordinary language are much *more difficult* than the *optimists* in the computer industry once supposed. Computers can only converse intelligently on an extremely limited and specific subject.

More *fundamentally, Professor* Weizenbaum has pointed out that computers could never fully grasp human language unless they could *feel* human emotions like love and fear.

Borderland

However this philosophical borderland between mind and matter is not especially important to the commercial world. It has become more interested in the way artificial intelligence can tackle highly *complex but nevertheless* limited practical tasks.

An important example is the development at Stanford of computer systems which will simulate the thought processes *of professional experts. One* such system called PROSPECTOR has been developed at Stanford Research Institute *International to help companies* decide where to drill for oil or mineral deposits.

The programme works by first interviewing an expert to establish the tests which should be made, the deductions which should be drawn from them and the further investigations required. When the computer has remembered the methodology of the expert, its can give "consultations" to prospecting companies to advise where would be the most likely places *to drill.*

Mr. John Cashnick, one of the scientists working on the project, says that in tests so far the computer's predictions have proved remarkably accurate.

Similar "Expert Systems" have been successfully *developed for medical diagnosis.* A likely next step will be to make such systems generally available for consultations in the law, accountancy and other professional fields. Such systems will probably be used in conjunction with a "talking" machine.

If, as now seems very likely artificially intelligent computers are to become commercially important, the question must be: "What is happening in the UK?" Professor Michie and several others in the field *believe the answer is: "Not nearly* enough."

At present research in the UK is distributed between a few "scattered scholars" he says. To compete with the *Americans and the Japanese*, he believes a special research centre is needed to concentrate *the country's resources.*

"I believe it is like the oil crisis," he says: "Nobody believed it was serious until it was too late. But unless something is done, in ten years' *time when the Japanese* and the Americans run all over us, we shall be sorry."

Letters to the Editor

Imports may fall

From the Economic Adviser, Burge and Co.

Sir,—Lex (July 5) has uncovered a further vital piece of the jigsaw in any comprehensive analysis of the effects of rising sterling and the UK overseas trade balance where he comments upon "Forward cover."

We know from successive *studies of trading invoices* that overseas trade tends to be conducted in the currencies of the *suppliers, ie UK exports* are in sterling and imports are in foreign currencies. The point is that, all along, it has been UK importers who have been the major users of "forward cover" to protect their import costs from falling sterling. This policy gave overseas suppliers to the UK a heaven-sent opportunity to stockpile contracted goods in the UK as *foreign* car manufacturers can testify.

Both UK importers and their overseas suppliers will have to revise their importing and UK *stockpiling* activities with stronger sterling. For example, "spot" U.S. dollars and, I *think, all other currencies* are cheaper today than "forward" purchases made at the time import business was contracted (Usually two months-eight months ago).

There is a distinct possibility that we are about to see a useful fall in UK imports and a recovery of market share by home manufacturers for a wide cross-section of goods. The "J curve" effect of devaluation would be then (excuse the metaphor), stood on its head! But we must look further into *the future for a more stable* outcome of recent policy changes and here, I must add my *own* support for the switch of taxation from income to sales in the Budget.

Put simply, I expect to see a fall in imports from recent currency and taxation policy changes. It may take a few months for the new import trends to become clear for, as I have discussed with the *Department of Trade*, the volumes of imports statistics can be misleading in the short-term where indices are derived from "spot" instead of "contracted" foreign exchange rates when sterling is on a rising trend.

A. G. Horsnail,
Burge and Co.
25 Worship Street, EC2.

MacMarkets merger

From Mr. A. Hill

Sir,—In your report of plans for the merger of MacMarkets with International Stores ("MacMarkets deal threatens jobs," July 5), you have, perhaps unwittingly, given the impression that MacMarkets was in trouble with management problems and barely profitable. Indeed, you speak of both companies having gone through senior managment changes in the past year. As far as MacMarkets is concerned, the only senior management change made at the end of last year was brought about by the retirement of Mr. G. D. S. Black, who had been chairman for the past 20 years. He was succeeded by Mr. H. F. Thorburn, the retail director, who has also been with the company for many years.

In fact, MacMarkets has grown into a very effiecient operation, albeit relatively *small, and its managers have* shown considerable capabilities so that, despite heavy competition in the High Street, MacMarkets has become steadily more profitable.

If these two points lead to the question, why a merger at all; I would like to explain that it is simply because retailing is not a main-line activity for Unilever. It would have needed a high level of new investment in MacMarkets sites over the next few years to improve, or even maintain, the present position. This could only command a low priority in Unilever's total investment strategy in relation to its main operations. Thus our thinking was that the merger plan would provide management and staff not only with a low level of redundancy but additionally a very good oppor*tunity of future job security* and career development.

A. H. C. Hill,
Unilever.
Unilever House,
PO Box 68, EC4.

Metric pound and inch

From the Managing Director, Quantum Science

Sir,—The chairman of GKN Distributors asks (July 2) for legislation to accelerate metrication while at the same time producing evidence that half his customers do not want it. He does not mention what proportion of these people are still using Imperial sizes because their goods are sold on to the *North American market.* No amount of British legislation will change the demand for UNF and UNC threads in North America. Mr. Grubb will be faced with the choice which he has now of either satisfying this market or denying his company the profits from it.

So far as one can see from publicity, the Metrication Board has given no thought to the metric inch and the metric pound. When Britain goes metric, pipe threads throughout the world will be measured in *inches.* The North Americans will use the national pipe thread and the rest of the world British Standard pipe thread. If one looks at the radiator valve in an overseas hotel room, one will see something like ½ stamped into the metal. This means ½ in British Standard pipe thread. If we drop the inch, we will be the only metric country which does not use inches.

In common usage, it is doubtful whether the word inch will disappear. A French steel erector will still call out: "un pouce vers moi—an inch my *way.*" In so many ways, an inch is a much more useful dimension than a centimetre.

In the same way, throughout Europe, housewives will shop in pounds—the livre of France, *the pond* in Holland, and the pfund in Germany, etc. The word kilo is used only to describe an even number of pounds. In a provincial market a *French* housewife will ask for "*trois livres de pommes*—3 lbs of apples." This is 1½ kg and about 10 per cent more than three English pounds of apples. Again in France, game fish are always weighed in pounds, even if they amount to an even *number.* A salmon will be described as "un saumon de vingt livres" and never as "un *saumon de dix kilos.*"

Again, if we drop the pound we will be the only metric country which does not have this convenient measure. In order to avoid confusion between our present pound and the metric pound, it may be best to invent a new name for it.

Roy Jenkins,
Quantum Science.
27, St. George's Road,
Cheltenham, Gloucester.

Rates of pay in engineering

From the Director General, Engineering Employers' Federation

Sir,—On July 5 your second leading article referred to the joint NEDO and Manpower Services Commission report on labour shortages, listing two particular priorities. There were the need to improve differentials between the skilled and unskilled and the need to reduce distinctions in conditions of employment between clerical and manual unions. Engineering *employers fully agree with these* priorities, both of which have strongly influenced our Federation's *approach to the renegotiation* of the national agreement for manual workers in the engineering industry.

The reluctance of the Confederation of Shipbuilding and Engineering Unions to accept any increase in the differential between skilled and unskilled rates remains a major problem. There is, however, no other way to redress the lack of skills which continues to constrain the growth *of so many engineering* companies.

The EEF has proposed a major initiative in the form of joint discussions, involving both manual and staff unions, with the objective of achieving the harmonisation of certain terms and conditions. We see this as a vital step towards the elimination of some of the arbitrary distinctions between the office and the shop floor. There will be no progress however unless employers, staff and manual unions are all determined on a common aim.

Engineering employers are not only fully aware of the need for progress in the sectors which you have highlighted, but see the present national negotiations as a way to move forward. Let us hope that the unions too will recognise this opportunity.

A. F. Frodsham,
Engineering Employers' Federation.
Broadway House,
Tothill Street, SW1.

Changing jobs and homes

From the Chairman, Home Relocation

Sir,—As you so rightly say in your leader column (July 5) the Prime Minister should let "market forces" operate without restraint to correct the imbalance between high unemployment in certain regional areas and a scarcity of skilled labour in London and the South East.

You do not, however, appear to have given sufficient emphasis to the relationship between rates of pay and housing costs. The skilled worker in Northampton or Sunderland *earning £3,500 pa* is not likely to be attracted to London for an additional £2,000 a year when he realises that the £5,000 or £6,000 equity he has in his comfortable detached home in Northampton will only provide a deposit on a flat or terraced accommodation when he moves to the capital.

The cost of housing (even more than crippling commuter fares) is what deters skilled and professional people from accepting marginally higher paid appointments in or near London. There are scores of case histories where carpenters, mechanics, school-teachers, young *civil servants* and *middle* management have declined the opportunity of taking up higher *paid posts in London* because of the exorbitant cost of housing.

George Bristow,
Home Relocation.
21 Soho Square, W1.

Loss making in steel

From Mr. D. Green

Sir,—Roy Hodson's comment (July 4) on the dismal figures from British Steel — and on the substantial contribution of the Welsh Division to the losses in particular — deserves one postcript on relative as opposed to absolute losses. If one divides the divisional losses by the numbers of employees one has a rather different league table:—

Tubes division—
£774 profit per employee
Sheffield—
£738 loss per employee
Scunthorpe—
£1,411 loss per employee
Wales—
£1,995 loss per employee
Teesside—
£3,231 loss per employee
Scotland—
£7,155 loss per employee

Assuming that British Steel adopts *fairly standard manning* criteria — and without denying that its whole undertaking needs attention—it would seem that a rather different emphasis is required to that afforded by Mr. Hodson.

David Green
Rhyd yr Harding,
Castle Morris,
Near Haverfordwest.

A near-perfect money market

From Mr. K. Bishop.

Sir,—The Government has decided that market forces should be allowed to operate freely in the present petrol shortage. The Government has equally decided to try and persuade the building societies to go against the current of the present money market.

There is little justification for this inconsistency. Although higher interest rates will penalise present mortgages, the lack of funds will mean fewer mortgages granted to first home buyers. Our building societies have a fine record of service rendered to the community and a fine record of integrity and expertise. The Government needs to think very seriously before upsetting the delicate balance of what has aways been a near "perfect" money market; a market in which the vast majority have an interest, either as investors or borrowers.

K. A. Bishop.
24, Petergate, SW11.

Today's Events

GENERAL

UK: Transport and General Workers Union conference opens, Scarborough (until July 13).

International Whaling Commission 31st annual session opens, London (until July 13).

Mr. William Whitelaw, Home Secretary; Sir David McNee, Metropolitan Police Commissioner; and Mr. Patrick Jenkin, *Social Services Secretary; speak* at Department of Health conference on intermediate treatment for young people, Sheffield (until July 11).

Financial Times/City University two-week course opens on financial management for the non-financial executive, London.

Greater London Council committee discusses experiments to save energy on the Underground.

Investigation opens into loss of the trawler Boston Sea Ranger off Cornwall (December, 1977), Great Yarmouth.

Overseas: Central banks governors meet in Basle.

U.S. Senate discusses ratification of UK-U.S. double tax agreement.

Mr. Byron Theodoropoulos, Greek Foreign Ministry secretary general, and Mr. Ozdemir Yigit, Turkish Foreign Ministry, discuss control of the Aegean, Athens (until July 11).

Mrs. Indira Ghandi, former Indian Prime Minister, appears before special court charged with false prosecution of Government officials.

PARLIAMENTARY BUSINESS

House of Commons: Committee stage of Finance Bill. Motion on Customs Duty (Personal Reliefs) Order.

House of Lords: Northern Ireland Act (Interim Period Extension) Order 1979. Northern Ireland (Emergency Provisions) Act 1975 (Continuance) Order 1979. St. Vincent Termination of Association Order 1979. Britain's contribution to EEC Budget.

OFFICIAL STATISTICS

Department of Industry publishes wholesale price index numbers (June—provisional).

COMPANY RESULTS

Final dividends: Carolo Engineering Group; Graig Shipping Company; Marler Estates; May and Hassell; Second Great Northern Investment Trust; Warner Holidays.

COMPANY MEETINGS

See Financial Diary on page 18.

Intnl. Timber continues with cautious optimism

FOR THE first part of the current year at least, the continued rise in timber prices will be beneficial to **International Timber Corporation.** "*A continuance of cautious optimism* appears justified," Mr. R. E. Groves, the chairman, tells shareholders.

Referring to the acquisition of Bambergers, he says the drawing together of the two groups should produce very worthwhile benefits both in reduction of costs and expansion of business.

Acquisition of three additional builders' merchants branches in Essex from Bolton and Paul has also extended coverage in that area.

Arising from the need to provide replacement premises for Bambergers, timber distribution depot in Bristol, directors have acquired since the year-end, a recently developed site from a competitor in Avonmouth which will give a significant boost to trading in that area.

For the year ended March 31, 1979, the group reported pre-tax profits up from £5.57m to £8.05m on external sales of £167.4m against £134.7m. CCA profit is reduced to £4.14m after adjustments for depreciation, £1.65m, cost of sales, £4.04m and gearing, £1.77m.

The chairman says the programme of improving operational efficiency and making the best use of assets has continued. Sales of surplus freehold sites, compared to the anticipated cash inflow mentioned last year of at least £1m realised nearly £2m. Further disposals are planned *this year.*

Medium-term loans of up to seven years arranged with some of the clearing bank lenders in the UK now total £15m. These, together with the proceeds of the rights issue, will reduce short-term borrowing and strengthen the balance sheet, thereby providing a base for further growth and expansion.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually *held for the purpose of considering* dividends. Official indications are not available as to whether dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims:—Eurotherm International, Status Discount.

Finals:—Carclo Engineering, Graig Shipping, *Marler Estates*, May and Hassell, Rothschild Investment Trust, Second Great Northern Investment Trust, Warner Holidays.

FUTURE DATES

Interims:—

Jacobs (John I.)	July 26
Macpherson (Donald)	July 10
Morgan Crucible	July 12

Finals:—

Acrow	Aug. 7
Heron Motor	July 17
Laurence Scott	July 26
MFI	July 18
Town and City Properties	July 13
Watson (R. Kelvin)	July 12
Wyndham Engineering	July 25

FT Share Information

The following securities have been added to the Share Information Service appearing in the Financial Times:

Jostens Inc. (Section: Overseas-New York).

Shaw and Marvin (Textiles).

Rotaprint seeking new money

ADDITIONAL working capital is required at **Rotaprint** and the Board is studying various prospects for the introduction of new funds on favourable terms, Mr. G. C. Nichols, chairman, tells shareholders.

The aim of the Board in introducing new capital will be to enable new products to be fully exploited and overall level of borrowings to be reduced, the chairman says.

Rotaprint is a co-defendant in a claim *for* damages of some £4m, started by the joint receivers and Judicial Administrator of S. A. R. L. Guyot Fourchault, the company's former distributor in France.

The claim is contested by the company and the other co-defendants and is subject to French law. Rotaprint is receiving legal advice in France. The company *and the co-defendants are of the* opinion that the claim is without substance and consequently no provision has been made in the accounts.

Chloride expects growth despite adverse market

THE trading environment for the **Chloride Group** is expected to be tough this year with overcapacity and severe price competition in many of its markets, Sir Geoffrey Hawkings, chairman, says in his annual report.

The general world economy is also expected to remain sluggish with low forecast growth rates in Europe and a slowdown in the U.S. economy.

Despite these *unfavourable* external factors, the chairman expects the group to continue to achieve growth in both sales and profit.

For the year ended March 31, 1979, pre-tax profits rose from £25.1m to £29m on sales of £346.1m compared with £306.2m. CCA profit is reduced to £13.8m after adjustments for depreciation, £3.4m, cost of sales, £18.5m and gearing, £6.7m.

Chloride Europe showed an improved profit while Chloride Overseas had a generally *satisfactory* year with an improved performance in Australia. In Chloride America there was a welcome increase in profit, which was more than doubled.

Referring to the group's use of lead and its possible effects on health, the chairman says the main problems are emission from smelter chimneys inside groups smelting plants and dust at ground level, both within and outside plants.

The investment programme takes full account of the need *to* comply with the limits prescribed by the relevant authorities throughout the world.

Directors have just commissioned at Abbey Wood in London the most advanced environment smelter control equipment in the world at a cost of £500,000, which represents half the cost of a total modernisation programme on this site.

Additionally, of the total of £20.9m spent on new plant and equipment throughout the group during the year, £5.4m was for improved environmental and amenity purposes.

Sir Geoffrey is retiring after the annual meeting and will be succeeded as chairman by Sir Alastair Pilkington.

Meeting, *London Hilton, W.*, August 2 at 11 am.

Lindustries tackling loss makers

STRENUOUS EFFORTS are being made to bring loss-making engineering companies back into profits, says Mr. W. E. Luke, chairman of **Lindustries**, in his annual statement.

He adds that last year the substantial losses suffered by Cowlishaw Walker and Delaney Gallay Dynamics discounted the excellent performance of the other engineering companies. Profits of the engineering operations rose slightly from £3.16m to £3.26m, while the group taxable surplus expanded from £6.83m to £7.24m.

While efforts are being made to turnround engineering loss-makers in the case of Cowlishaw Walker the company's viability depends on the volume of orders from the National Coal Board, Mr. Luke points out.

However, of late, the Coal Board's requirements have been smaller *than in* the past.

The other engineering companies are in good shape and have started the year with good order books, says Mr. Luke.

A current cost statement shows group taxable profits at £3.8m, against £3m, after adjustments for depreciation £1.4m (£1.5m), cost of sales £2.6m (£2.9m) and gearing £601,000 (£603,000).

Meeting, The Dorchester, W1, on July 31 at noon.

PGA fund over £20m

The report to policyholders from **Property Growth Assurance**, a member of the Phoenix Assurance Group, for 1978 shows that the Agricultural Fund had a successful nine months to the end of December with the unit price rising by 13.6 per cent. The fund acquired 1,641 acres during the period and passed the £20m mark to reach £21.3m on December 18.

The main Property Growth Fund had a unit price rise over the whole of 1978 of 12.4 per cent, with the value of the fund standing at £32.5m at end-1978. The Retirement Annuity fund had a price increase of 8.2 per cent over the nine month period reaching £2.1m in size, while the Immediate Annuity Fund showed a 10.8 per cent rise in price with a fund value of £4m.

The Equity Fund had a steady performance over the period with a unit price rise of just *over 9 per cent. In general the* fund was fully invested over the period and its value at the end rose to £5.6m. The Gilt Edged Fund, however, showed a fall of 4.4 per cent in unit price and its value remained unchanged at £3.7m. The Money Fund has a unit price rise of 5.4 per cent and stood at £4.7m on December 15.

NCNR turns in £542,000

After eliminating income and expenditure relating to the assets used in November, 1977, pre-tax profit of New Court Natural Resources, which operates oilfield services and proven oil and gas properties in the U.S., rose from £201,000 to £542,000 in the year ended March 31, 1979.

Earnings per share are shown to be up from 0.41p to 2.23p.

The net dividend is increased by 10 per cent to 0.55p.

The directors have decided to consolidate *NCNR's* 83.7 per cent share of its subsidiary, Exploration and Production Services (Holdings) which puts the 1978 pre-tax figure at £629,000.

Caffyns starts well

The current year has started well at **Caffyns**, motor dealer and engineer, with increased turnover for April and May compared with last year, Sir Edward Caffyn, the chairman, says in his annual statement.

However, he warns that during the net few months, the company faces higher interest rates, petrol price increases and a major rise in VAT, in addition to restrictions in the supply of petrol and derv.

Although confident in the long term outlook, the directors are more cautious in the short term.

Meeting, Eastbourne, July 26, 3 pm.

Rates paid to W/E 8th July 1979

	Call % p.a.	7-day % p.a.
Mon.	14.187	13.770
Tues.	14.281	13.796
Wed.	14.282	13.815
Thurs.	14.266	13.558
Fri./Sun.	14.274	13.879

BIDS AND DEALS

Simon Eng. in deal for plant hire assets

Simon Engineering the process plant contracting group, has agreed to acquire the assets of Trinity Plant Hire from the Receiver of *JCEG, for £730,000.*

Trinity operates a plant hire business from Cassington, near Oxford, with regional depots at Witham, near Chelmsford, Bridgend and Burntwood, near Lichfield.

In August last year Simon bought Northern Engineering's 50 per cent shareholding in Cheadle Plant Hire with the declared intention of expanding its plant hire business. The acquisition of Trinity as an operating division of Cheadle Plant Hire, is in line with this policy.

The four established depots will, when added to Cheadle's existing depots in the North-west, north-east and South Yorkshire, provide Simon with wide regional coverage over England and Wales.

SHARE STAKES

Feedex Agricultural Industries—J. R. Williams, director, sold 30,000 shares and his wife has sold 10,000 shares.

Hill Samuel Group—Viscount Bearsted's beneficial interest been reduced to 1,536,002 by sale of 174,549 shares.

London Midland Industrials—Throgmorton Trust now holds 579,997 ordinary shares (6 per cent).

London and Liverpool Trust—Stroller Securities has bought an additional 201,050 shares bringing their holding to 248,550 shares. W and A Investment Corporation, through a wholly owned subsidiary has increased its holding to 970,000 shares by buying 220,000 shares.

Hill Samuel Group—The *beneficial holding of Viscount* Bearsted has been reduced to 1,536,002 by the sale of 174,550 shares.

I. J. Dewhirst Holdings—A. J. Dewhirst, director, has sold 133,000 shares bringing his holding to 796,076. M. S. Dewhirst sold 133,000 shares bringing his holding to 1,138,793. Mrs. K. McQueen, wife of a director, has sold 9,000 shares.

Smith St. Aubyn and Company (Holdings)—J. D. Mackinnon sold 15,000 shares on July 3 at 106p. D. Mackinnon sold 31,941 shares on July 3 at 100p.

Baraoora off to a slow start

The current season got off a a dry and slow start on the estates of **Baraoora Tea Holdings**. By mid April the crop was about 17 per cent behind that seen at the same time in 1978. However conditions now appear more favourable and, if these continue, the shortfall may be made good, as happened last year, says Sir Colin Campbell, chairman.

Expansion of manufacturing facilities to cater *for increasing* crops to Rasidpur and Dragon Estates had been restricted by power limitations. This problem has been overcome by connection to the electricity grid and the extra power now available will allow for the much needed additional machinery to be installed.

A moderately severe drought early in 1978 retarded the crop in the first half. There was rapid improvement when rain came and by the end of the season the crop on three estates was 3 per cent higher than the previous year.

This was satisfactory and sustained their confidence in the correctness of the agricultural policy and the tea, having improved in health and vigour, is now able to recover from the effects of drought more readily than before, *Sir Colin says.*

The bulk of last year's crop, which was 28 per cent green tea, realised an average price marginally lower than in 1977. Production costs were substantially higher, primarily because of a 74 per cent jump in labour wages.

The effect was to depress taxable profit from £837,578 to £427,823, though sales were only marginally down at £1.53m (£1.58m).

LOCAL AUTHORITY BOND TABLE

Authority (*telephone number in parentheses*)	Annual gross interest	Interest payable	Minimum sum	Life of bond
	%		£	Year
Redbridge (01-478 3020)	11¾	½-year	200	4-5
Redbridge (01-478 3020)	12¼	½-year	200	6-7
Wrekin (0952 505051)	12¼	annual	1,000	4-6

FINANCE FOR INDUSTRY TERM DEPOSITS

Deposits of £1,000-£50,000 accepted for fixed terms of 3-10 years. Interest paid gross, half-yearly. Rates for deposits received not later than 20.7.79.

Terms (years)	3	4	5	6	7	8	9	10
Interest %	12	12	12¼	12¼	12¼	12½	12½	12½

Deposits to and further information from The Chief Cashier, Finance for Industry Limited, 91 Waterloo Road, London SE1 8XP (01-928 7822, Ext. 367). Cheques payable to "Bank of England, a/c FFI." FFI is the holding company for ICFC and FCI.

INTNL. COMPANIES and FINANCE

CAB ready to pronounce on National Airlines bids

BY JOHN WYLES IN NEW YORK

THE U.S. Civil Aeronautics Board will make its long-awaited decision tomorrow on whether National Airlines should remain independent as the country's 11th largest carrier or whether at least two takeover bids should be allowed to proceed.

The CAB's decision could alter the face of the U.S. airline industry if it allowed Pan American World Airways or Texas International Airlines, or both, to press ahead with merger ambitions. If Pan Am won clearance to tender its $428m bid which is being supported by National's Board, the newly-created airline would be the second largest in the U.S. and would give Pan Am a domestic route system which it claims it needs to be a more efficient competitor in international markets.

A Texas International-National merger, on the other hand, would raise the Texan airline from relative obscurity as a small regional carrier to a national and an international force.

On the surface, the prospects for CAB approval for either merger do not appear bright. After a lengthy investigation, a CAB administrative law judge has concluded that both would be anti-competitive in effect and has recommended that they be refused.

Final determination of the issue rests, however, with the White House, because airlines with international routes are involved. If the CAB were to follow its administrative law judge, then intense lobbying pressure will be brought to bear on the President, and not only by the three principals.

Eastern Airlines wants to make a $50 a share bid like Pan Am and has run into a negative ruling from a CAB judge.

Eastern would oppose any presidential approval for National to merge with either of its two rivals, while other airlines such as Braniff might be expected to argue for maintaining National's independence.

Apart from authorising the merger of two small regionals, North Central and Southern Airlines, the CAB has not yet pronounced on a major merger case since the passage of the airline deregulation Act last November.

Israeli bank sale approved by Knesset

By L. Daniel in Tel Aviv

THE SALE of the Israeli Government-owned Shipping Bank to Mr. Saul Eisenberg has been approved by the Knesset (Parliament) finance committee. The bank owns substantial real estate and the purchase price has been set at $10.5m.

The sale came under criticism as some members of the committee held that this figure was too low. Another objection was the identity of the buyer. When the bank was first put on the market, the Government said it did not want to sell to the existing large banks to prevent further concentration in this sector.

However, Mr. Eisenberg recently acquired 50 per cent control of the First International Bank of Israel.

Earnings rise at Sanyo outpaces sales growth

TOKYO—Sanyo Electric Company, one of the major integrated manufacturers of electric appliances in Japan, announced a 15.3 per cent rise in parent company net profits to Y6.47bn ($29.7m) in the half-year ended in May from Y5.611bn a year earlier.

Sales totalled Y271.6bn, a 5.4 per cent increase from Y257.6bn. Sanyo's earnings per share went up to Y8.71 from Y7.90 in the period.

The company attributed the net profit increase to improved efficiency, as well as to brisk sales of such summer electric appliances as air conditioners and refrigerators. Strong sales of tape recorders also helped boost sales and profit.

Despite higher oil prices and their impact on the economy in the second half, the company is hoping to achieve earnings Y14bn on sales of Y570bn, 8 per cent more than the year before.

● AKAI ELECTRIC, a leading manufacturer of high-grade tape decks in Japan that heavily depends on exports, saw its net profit in the half-year ended May 20 tumble to Y13m ($60,000) from Y288m ($1.3m) in the comparable year-earlier period, despite a slight increase in sales.

Sales rose by 4.3 per cent from Y22.6bn to Y23.6bn.

"Fundamentally, there's only one reason for the net profit decline, and that's excessive competition in the market," according to the company. Akai was forced to cut prices drastically last December to remain competitive.

Although the company depends on exports for more than 85 per cent of business, foreign exchange fluctuations did not contribute to the loss.
AP-DJ

Hopes of continued profits at A & P

CHARLOTTE—Great Atlantic and Pacific Tea expects to be profitable again during the current second quarter and the third quarter of this year, Mr. Jonathan L. Scott, the chairman, told the annual meeting.

For the first quarter ended May 26, A & P reported net earnings of 19 cents a share on sales of $1.66bn compared with a loss of 40 cents a share on sales of $1.81bn in the comparable period a year ago. The company has 289 fewer stores than it had a year ago.

In the whole of last year, A & P incurred a $52.2m loss against net earnings of $569,000 previously.

Mr. Scott said that A & P was spending $80m on new and remodelled facilities this year, including 50 or more limited assortment stores. The stores will carry only 450 to 1,000 items at discount prices with reduced services and limited perishable departments.
Reuter

Asbestos hearings extended

By Robert Gibbens in Montreal

THE QUEBEC Superior Court has extended until today hearings on Asbestos Corporation's request for an interlocutory injuction preventing the Quebec Government from taking any action against its Quebec-based assets under recently enacted provincial expropriation legislation

Asbestos, 54.6 per cent owned by General Dynamics of the U.S., asked for the injunction indefinitely pending the court's decision on whether the legislation is unconstitutional and beyond the powers of the Quebec National Assembly.

PENDING DIVS.

For the convenience of readers the dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements, except where the forthcoming Board meetings (indicated thus*) have been officially published. It should be emphasised that the dividends to be declared will not necessarily be at the amounts or rates per cent shown in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
*Acrow	Aug. 7	Final 1.554	*Imperial Grp.	July 12	Int. 2.25
*Airfix Inds.	July 12	Final 1.993	*Inchcape	July 26	Final 9.0
*Alexanders Discount	July 16	Int. 4.5	Initial Servcs.	July 21	Final 6.051
Allied Colloids	July 12	Final 1.117	LRC Intnl.	July 19	Final 1.53
Ault and Wiborg	Aug. 9	Int. 0.72	Letraset Intnl.	Aug. 9	Sec. Int. 4.5
Automotive Products	Aug. 8	Int. 0.75	*Lloyds Bank	July 20	Int. 4.635
*Barclays Bk.	July 26	Int. 6.05	*Magnet and Southerns	July 17	Final 5.432
Bibby (J.)	Aug. 9	Int. 3.0	*Meyer (Mont. L.)	July 16	Final 2.973
*Birmid Qualcast	July 18	Int. 1.5	*Midland Bk.	July 27	Int. 8.5
British Dredging	July 10	Final nil	*NatWest	July 24	Int. 5.682
Carrington Viyella	Aug. 9	Int. 0.67	*Rank Org.	July 18	Int. 4.0
Commercial Union	Aug. 7	Int. 2.863	Raybeck	July 12	Final 2.3512
Davy Corpn.	July 25	Final 7.425	Rentokil	Aug. 8	Int. 0.72
*Distillers	July 19	Final 4.5842	*Rothmans Intl.	July 12	Final 1.327
Dixons Photogrphc.	Aug. 2	Final 1.51	Security Services	Aug. 10	Int. 1.25
*Dowty	July 19	Final 2.255	Staflex Intl.	July 28	Final nil
*Fitch Lovell	July 26	Final 2.812	*Stenhouse	Aug. 23	Int. 1.825
*Fodens	July 19	Final 3.35	Stock Conversion	July 26	Final 1.0217
General Accident	Aug. 8	Int. 4.125	Sunley (B.)	Aug. 8	Final 2.7
Gestetner	July 14	Int. 2.125	Taylor Woodrow	July 25	Int. 2.01
Glynwed	Aug. 9	Int. 2.45	*Thorn Elec.	July 13	Final 9.0
Great Univ. Strs.	July 20	Final 4.64	*Town and City Props.	July 13	Final 0.01
Hambro Trust	Aug. 7	Final 1.37	*Unigate	July 16	Final 2.105
Haslemere Ests.	July 20	Final 3.229	*Union Discount	July 18	Int. 6.375
*Heron Motor	July 17	Final 1.92	Vantona	Aug. 3	Int. 1.9955
Hugo Robinson	July 18	Final 2.58	Vosper	July 26	Int. 2.5
Hoover	Aug. 3	Int. 5.61	Ward and Goldstone	July 21	Final 3.872
*Howden	July 12	Final 3.1543			

* Board meetings intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made from reserves. ¶ Forecast.

BASE LENDING RATES

A.B.N. Bank	14 %	■ Hambros Bank	14 %
Allied Irish Banks Ltd.	14 %	■ Hill Samuel	§14 %
Amro Bank	14 %	C. Hoare & Co.	†14 %
American Express Bk.	14 %	Julian S. Hodge	15 %
A P Bank Ltd.	14 %	Hongkong & Shanghai	14 %
Henry Ansbacher	14 %	Industrial Bk. of Scot.	14½%
Associates Cap. Corp.	14 %	Keyser Ullmann	14 %
Banco de Bilbao	14 %	Knowsley & Co. Ltd.	15½%
Bank of Credit & Cmce.	14 %	Lloyds Bank	14 %
Bank of Cyprus	14 %	London Mercantile	14 %
Bank of N.S.W.	14 %	Edward Manson & Co.	15 %
Banque Belge Ltd.	14 %	Midland Bank	14 %
Banque du Rhone et de la Tamise S.A.	14½%	■ Samuel Montagu	14 %
Barclays Bank	14 %	■ Morgan Grenfell	14 %
Bremar Holdings Ltd.	15 %	National Westminster	14 %
Brit. Bank of Mid. East	14 %	Norwich General Trust	14 %
■ Brown Shipley	14 %	P. S. Refson & Co.	14 %
Canada Perm't Trust	14 %	Rossminster	14 %
Cayzer Ltd.	14 %	Ryl. Bk. Canada (Ldn.)	14 %
Cedar Holdings	14 %	Schlesinger Limited	14 %
■ Charterhouse Japhet	14 %	E. S. Schwab	15 %
Choulartons	14 %	Security Trust Co. Ltd.	15 %
C. E. Coates	14 %	Shenley Trust	16 %
Consolidated Credits	14 %	Standard Chartered	14 %
Co-operative Bank	*14 %	Trade Dev. Bank	14 %
Corinthian Secs.	14 %	Trustee Savings Bank	14 %
Credit Lyonnais	14 %	Twentieth Century Bk.	15 %
The Cyprus Popular Bk.	14 %	United Bank of Kuwait	14 %
Duncan Lawrie	14 %	Whiteaway Laidlaw	14½%
Eagil Trust	14 %	Williams & Glyn's	14 %
English Transcont.	14 %	Yorkshire Bank	14 %
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		
■ Antony Gibbs	14 %		
Greyhound Guaranty	14 %		
Grindlays Bank	‡14 %		
■ Guinness Mahon	14 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 11½%, 1-month deposits 11¾%.
† 7-day deposits on sums of £10,000 and under 11½%, up to £25,000 12% and over £25,000 12¼%.
‡ Call deposits over £1,000 11½%.
§ Demand deposits 11½%.

RECENT ISSUES

EQUITIES

Issue Price p‡	Amount Paid Up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price p‡	+ or −	Div. P. or Amount	Times Covered	Gross Yield	P.E. Ratio
80	F.P.	11/7	81	78	B & Q (Retail) 5p	85	...	2.46	2.8	2.9	18.1
§66	F.P.	—	75	66	††Deltight 10p	71	...	bd5.0	2.2	10.1	6.3
80½	F.P.	27/7	99	97	Fairline Boats	97½	−1	b3.5	3.6	5.1	7.0
‡‡	F.P.	22/6	53	51	Fulcrum Inv. Income	51	−½	4.0	—	11.6	—
‡‡	F.P.	22/6	4½	3	Do. Capital 2½p	4½	...	—	—	—	—
¶¶	F.P.	—	58	52	Malay'n Pl'ts Berhad	57	...	bQ8c	1.3	7.2	—
**	F.P.	10/8	37	30½	Mettoy Dfd.	30½	...	—	—	—	—
¶¶	F.P.	—	44	35½	Phicom 10p	35½	−½	N1.0	4.6	3.9	15.5
160	F.P.	8/8	186	178	StandardTel.&Cables	183	+4	—	—	—	—

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1979 High	1979 Low	Stock	Closing Price £	+ or −
‖	Nil	20/7	1½pm	1½pm	English & Overseas Inv. Conv.	1½pm	...
100	F.P.	27/7	110½	107½	Kwik-Fit (Tyres) 8% Cnv. Ln. 1979/85	110	...
100	F.P.	20/7	102	90	Marsh'll's Univ'rs'l 7½% Cnv.Cum.Red.Prf.	90	...
100	F.P.	30/8	102	100	Portsmouth Water 8% Red. Prf. 1984	101	...
98	F.P.	23/8	98¼	96½	York Water 12% Deb 1986	96½	...

"RIGHTS" OFFERS

Issue Price p‡	Am'unt Paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1979 High	1979 Low	Stock	Closing prices p‡	+ or −
36	F.P.	9/7	10/8	40	36½	Causton Sir (J.)	37	−½
65	Nil	17/7	10/8	24pm	17pm	Century Oils	24pm	...
52½	Nil	10/7	10/8	6pm	2½pm	Combined English Stores	6pm	+1
25	F.P.	8/6	6/7	51	40	Edwards (Louis C.)	40	...
195	Nil	—	—	28pm	14pm	Elliott (B.)	14pm	...
100	Nil	13/7	3/8	38pm	27pm	Geevor Tin	27pm	...
126	F.P.	29/6	10/8	148	131	Grand Metropolitan	143	+2
155	Nil	13/7	24/8	49pm	27½pm	Holt Lloyd Intl	48pm	...
110	F.P.	5/7	7/9	114	110½	Intl. Timber	113	+1
154	F.P.	22/6	27/7	182	167	MEPC	182	+1
105	Nil	13/7	3/8	3pm	1pm	McCorquodale	1pm	−1½
85	F.P.	—	—	121	101½	P.M.A. Holdings	118	−2
110	Nil	22/6	20/7	60pm	40pm	Peterson Tennant	40pm	...
20	F.P.	—	—	43½	29	Provincial Laundries	41½	+3½
50	F.P.	29/6	20/7	86	[illegible]	Scotcros.	86	...
265	F.P.	15/6	27/7	295	270	Simon Engineering	286	...
150	F.P.	15/6	13/7	156	142	Smurfit (Jefferson)	146	−2
60	Nil	—	—	59pm	50pm	Sound Diffusion	51pm	+1
57	Nil	—	—	7pm	3pm	UBM	5pm	...
93	F.P.	7/6	13/7	105¾	93	UDS	94	...
87	Nil	13/7	10/8	15½pm	7pm	W.G.I.	12pm	...
20	F.P.	19/6	13/7	25½	17	Weeks Associates	17	...

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. a Assumed dividend and yield. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. p‡ Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. ‖‖ Introduction. ☐ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Unlisted security. ‡‡ Issued as units comprising 2 Income shares and 10 Capital shares at 125p per unit.

INSURANCE BASE RATES

† Vanbrugh Guaranteed 11⅞%
† Property Growth 11½%
† Address shown under Insurance and Property Bond Table.

CURRENCIES, MONEY and GOLD

European rates' upward spiral

Interest rates were climbing steadily last week in Europe, as one country after another increased various rates, to create something of a snowball effect. A simple analogy would be to a train travelling inexorably along the line to higher interest rates. But it is a train that most countries are sad to board, while hardly any can afford to miss it.

A prime example is Sweden, whose discount rate had not moved for nearly a year until last Thursday. It was then that the authorities announced a ½ per cent hike to 7 per cent. This was primarily in response to the recent outflow of funds, as investors found that returns on their money were becoming increasingly attractive outside their own country.

The overall problem stems from the stresses and strains within the European Monetary System. Belgium has felt obliged to act in support of the franc, in accordance with each country's unwritten undertaking to take steps once their currency has reached a certain divergence from its ECU central rate. This has seen the Belgians increase their Lombard rate to 11 per cent as the latest in a long line of upward shifts. Other members have naturally felt the pinch, with France pushing up its official money market intervention rate both on Thursday and Friday to 8¼ per cent, having stood at 8 per cent less than three weeks previously. The Dutch also kept the ball rolling by introducing the second rise in their discount rate in five weeks, and it now stands at 7½ per cent.

Clearly this upward spiral cannot continue indefinitely. Some sort of realignment would seem to be the obvious answer, although the effects of such a move on the already complex mechanics of the EMS would be unpleasant to contemplate. However, such a move does seem inevitable, and officials at the West German Bundesbank would be quick to agree, since it is primarily the strength of the D-mark, and its ability to absorb shocks such as the latest rise in oil prices, that has set it apart from its fellow EMS partners and caused so many headaches for the weaker members.

GOLD

	July 6	July 5
Gold Bullion (fine ounce)		
Close	$289½-290¼ (£129.7-130.2)	$287½-288¼ (£128.9-129.2)
Opening	$290½-291¼ (£130.2-130.7)	$284½-285¼ (£127.0-127.4)
Morning fixing	$290.20 (£130.456)	$286.75 (£127.473)
Afternoon fixing	$290.25 (£130.557)	$288.25 (£129.000)
Gold Coins, domestically		
Krugerrand	$299-301 (£134¼-135¼)	$295½-297½ (£132¼-133¼)
New Sovereigns	$75-77 (£33¾-34¾)	$74¼-76¼ (£33¼-34¼)
Old Sovereigns	$92¾-94¾ (£41¾-42¾)	$91-93 (£40¾-41¾)
Gold Coins, internationally		
Krugerrand	$299-301 (£134¼-135¼)	$295½-297½ (£132¼-133¼)
New Sovereigns	$75-77 (£33¾-34¾)	$74¼-76¼ (£33¼-34¼)
Old Sovereigns	$92¾-94¾ (£41¾-42¾)	$91-93 (£40¾-41¾)
$20 Eagles	$424-429	$423-428
$10 Eagles	$229-234	$227-232
$5 Eagles	$163-168	$162-167

CURRENCY RATES

July 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.584124	0.619652
U.S. $	9½	1.29880	1.37903
Canadian $	11¼	1.50563	1.60271
Austria Sch.	3¾	17.4689	18.5275
Belgian F.	9	38.1230	40.4919
Danish K.	9	6.85117	7.27027
D mark	4	2.37888	2.52584
Guilder	7½	2.62165	2.78465
French Fr.	9½	5.53484	5.87676
Lira	10½	1069.89	1135.98
Yen	4¼	—	299.347
Nrwgn. K.	7	6.54986	6.96688
Spanish Pes.	8	85.9156	91.2438
Swedish Kr.	7	5.61016	5.95014
Swiss Fr.	1	2.14437	2.27746

OTHER MARKETS

July 6	£	$		£ Note Rates
Argentina Peso	2945-2965	1320-1330	Austria	29.5-30.5
Australia Dollar	1.9755-1.9795	0.8895-0.8915	Belgium	68.5-69.5
Brazil Cruzeiro	57.45-58.45	25.85-26.30	Denmark	11.70-11.85
Finland Markka	8.5675-8.5775	3.8545-3.8565	France	9.40-9.55
Greek Drachma	n.a	n.a	Germany	4.04-4.14
Hong Kong Dollar	11.325-11.345	5.1180-5.1210	Italy	1,800-1,886
Iran Rial	161.14-166.82	72.55-75.10	Japan	480-490
Kuwait Dinar (KD)	0.612-0.622	0.2751-0.2762	Netherlands	4.44-4.50
Luxembourg Frc.	65.40-65.50	29.43-29.45	Norway	11.20-11.30
Malaysia Dollar	4.79-4.80	2.1625-2.1635	Portugal	102-106
New Zealand Dlr.	2.1840-2.1900	0.9835-0.9860	Spain	144-148
Saudi Arab. Riyal	7.48-7.58	3.3650-3.3690	Switzerland	3.60-3.70
Singapore Dollar	4.785-4.795	2.1615-2.1625	United States	2.20½-2.23½
Sth. African Rand	1.875-1.885	0.8445-0.8490	Yugoslavia	41-44

Rate given for Argentina is free rate.

THE DOLLAR SPOT AND FORWARD

July 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2150-2.2410	2.2200-2.2210	0.68-0.58c pm	3.40	1.72-1.62 pm	3.00
Ireland†	2.0540-2.0808	2.0555-2.0605	1.30-1.10c pm	7.00	3.60-3.20 pm	6.51
Canada†	86.04-86.07	86.04-86.07	par-0.02c dis	−0.14	0.75-0.45 pm	0.28
Nethlnd.	2.0155-2.0188	2.0165-2.0175	0.39-0.29c pm	1.99	0.58-0.48 pm	1.05
Belgium	29.33-29.43	29.40-29.43	par-2c dis	−0.41	7-10 dis	−1.16
Denmark	5.2675-5.2780	5.2675-5.2690	1.75-2.25ore dis	−4.56	5.25-5.75dis	−4.18
W. Ger.	1.8270-1.8360	1.8345-1.8355	0.89-0.79pf pm	5.50	1.95-1.85 pm	4.14
Portugal	48.85-48.85	48.78-48.85	35-45c dis	−9.84	90-130 dis	−9.02
Spain	66.11-66.15	66.12-66.15	48-58c dis	−9.61	115-135 dis	−7.56
Italy	[illegible]	823.50-824.00	2.75-3.75 lire dis	−4.73	8.5-9.5 dis	−4.37
Norway	5.0440-5.0518	5.0508-5.0518	0.70-0.20ore pm	1.07	1.70-1.20 pm	1.14
France	4.2590-4.2650	4.2600-4.2625	0.20-0.30c dis	−0.70	1.40-1.60dis	−1.19
Sweden	4.2415-4.2440	4.2425-4.2435	par-0.20ore dis	−0.28	0.15-0.35dis	−0.24
Japan	216.30-217.40	217.25-217.35	1.20-1.10y pm	6.38	2.80-2.65 pm	5.02
Austria	13.44½-13.46	13.45-13.46	5.25-4.75gro pm	4.46	11.75-10.25pm	3.27
Switz.	1.6470-1.6600	1.6575-1.6585	1.53-1.48c pm	10.90	4.04-3.99 pm	9.68

† UK, Ireland and Canada are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

July 6	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2150-2.2410	2.2200-2.2210	0.68-0.58c pm	3.40	1.72-1.62 pm	3.01
Canada	2.5670-2.6050	2.5730-2.5740	0.85-0.75c pm	3.73	1.85-1.75 pm	2.80
Nethlnd.	4.47-4.53½	4.49-4.50	2½-1½c pm	5.00	4⅞-3⅞ pm	3.89
Belgium	65.10-65.90	65.40-65.50	20-10c pm	2.75	40-30 pm	2.14
Denmark	11.70-11.80	11.71-11.72	½-2½ore dis	−1.28	2¾-4¾ dis	−1.11
Ireland	1.0770-1.0870	1.0775-1.0785	27-37p dis	[illegible]	[illegible] dis	−3.23
W. Ger.	4.06-4.11	4.07½-4.08½	3½-2½pf pm	8.81	7¾-6¾ pm	7.10
Portugal	108.00-109.75	108.00-108.30	40-100c dis	−7.76	120-220 dis	−3.77
Spain	146.90-147.80	146.95-147.05	45-95c dis	−5.71	125-225 dis	−4.76
Italy	1,829-1,844	1,831½-1,832½	par-2 lire pm	−0.65	5-7 dis	−1.31
Norway	11.21-11.32	11.22½-11.23½	5½-3½ore pm	4.54	12-10 pm	3.92
France	9.45-9.56	9.47½-9.48½	2½-1½c pm	2.53	4½-3½ pm	1.58
Sweden	9.42-9.50	9.43-9.44	3-1ore pm	2.54	7-5 pm	2.54
Japan	480-490	482½-483½	4.10-3.80y pm	9.80	9.85-9.55 pm	8.03
Austria	29.82-30.12	29.90-29.95	22-12gro pm	6.81	50-40 pm	6.01
Switz.	3.65-3.71	3.68½-3.69½	4⅝-3⅝c pm	14.23	12½-11½ pm	12.74

Belgian rates is for convertible francs. Financial franc 68.90-69.00c pm. Six-month forward dollar 2.72-2.62c pm: 12-month 4.40-4.30c pm.

EXCHANGE CROSS RATES

July 6	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'r	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.221	4.085	483.3	9.480	3.690	4.495	1832.	2.574	65.45
U.S. Dollar	0.450	1.	1.839	217.6	4.269	1.662	2.024	825.0	1.159	29.48
Deutschemark	0.245	0.544	1.	118.4	2.322	0.904	1.101	448.7	0.630	16.03
Japanese Yen 1,000	2.069	4.595	8.448	1000.	19.62	7.636	9.302	3791.	5.325	135.4
French Franc 10	1.055	2.342	4.306	509.8	10.	3.892	4.742	1932.	2.715	69.04
Swiss Franc	0.271	0.602	1.106	131.0	2.569	1.	1.218	496.5	0.697	17.74
Dutch Guilder	0.222	0.494	0.908	107.5	2.109	0.821	1.	407.6	0.573	14.56
Italian Lira 1,000	0.546	1.212	2.228	263.8	5.175	2.014	2.454	1000.	1.405	35.73
Canadian Dollar	0.389	0.863	1.586	187.8	3.684	1.434	1.747	711.8	1.	25.43
Belgian Franc 100	1.528	3.393	6.238	738.3	14.48	5.638	6.868	2799.	3.932	100.

LONDON MONEY RATES

July 6 1979	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	13⅛-14¾	—	—	—	14½-14⅞	13-14	—	—	—
2 days notice	—	—	14⅛-14⅜	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14⅛-14⅝	14⅝	—	14⅝	14⅞	14	—	—	—
One month	14[illegible]-14	14[illegible]-14[illegible]	14¼-14⅝	15⅛-14¾	14⅝	14½	14	13[illegible]-13[illegible]	14[illegible]-14⅛	14⅛
Two months	14⅛-13⅞	13[illegible]-14[illegible]	—	13⅞-13⅝	14⅝	14¼-14[illegible]	13⅝	13[illegible]	13⅞-13[illegible]	14⅝
Three months	13[illegible]-13⅝	13¾-13⅞	13½	12⅛-12¼	14¼	—	13⅝	13[illegible]-13[illegible]	13[illegible]-13⅝	14⅛
Six months	13[illegible]-12⅞	12[illegible]-13[illegible]	13-13¼	12¼-12¼	13⅝	—	—	—	12⅝	14⅛
Nine months	12⅝-12[illegible]	12½-12⅝	—	12⅝-12¼	13	—	—	—	—	—
One year	12¼-12	12½-12⅜	12⅝	12⅝-12	12¾	—	—	—	—	—
Two years	—	—	12⅛-12½	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days fixed. * Long-term local authority mortgage rates nominally three years 12¾-12½ per cent; four years 12½-12¼ per cent; five years 12½-12¼ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rate for four-months bank bills 12[illegible] per cent; four-months trade bills 14⅛ per cent.

Approximate selling rate for one-month Treasury bills 13[illegible]-13[illegible] per cent; two-months 13[illegible]-13[illegible] per cent; three months 13 13-64ths-13[illegible] per cent. Approximate selling rates for one-month bank bills 13[illegible]-14 per cent; two-month 13¾-13[illegible] per cent; and three-month 13½ per cent; one-month trade bills 14⅝ per cent; two-month 14⅜ per cent; and three-month 14 per cent.

Finance House Base Rate (published by the Finance Houses Association) 13 per cent from July 1, 1979. Clearing Bank Deposit Rates for small sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 13.2633 per cent.

MONEY RATES

NEW YORK

Prime Rate	11.5-11.75
Fed. Funds	10.4375
Treasury Bills (13-week)	9.21
Treasury Bills (26-week)	9.04

GERMANY

Discount Rate	4
Overnight Rate	6.55
One month	6.125
Three months	6.85
Six months	7.25

FRANCE

Discount Rate	9.5
Overnight Rate	8.75
One month	9.0625
Three months	9.5625
Six months	10.0625

JAPAN

Discount Rate	4.25
Call (Unconditional)	5.5625
Bills Discount (three-mth.)	6.25

INSURANCE

Why change is due in knock-for-knock

BY OUR INSURANCE CORRESPONDENT

A FORTNIGHT ago I mentioned the statutory alternative to purchase of compulsory motor injury liability insurance—making a deposit of £15,000 with the Accountant-General of the Supreme Court under s.144 (1) of the 1972 Road Traffic Act.

Having explained that this sum was fixed first in 1930, and pointed to the recent court awards for road injuries, I suggested that Parliamentary time should be found for a short Bill to increase the deposit to at least £250,000, both to protect the general public, all of us being potential road accident victims, and to prevent the larger fleet operator having a cheap way of avoiding paying his requisite share of the cost of motor insurance.

I had no particular fleet operator in mind, but quite clearly my comments found someone, somewhere, with a grouch against the insurance market. Last week the deputy chairman of the Association of Insurance and Risk Managers in Industry and Commerce wrote a long letter to this newspaper, the conclusion of which was that fleet operators are "not seeking to avoid paying their requisite share, but seeking perfectly properly to minimise overheads when faced with what may well appear to be an unjustifiable and *unreasonable new practice* on the part of a majority of UK motor insurers."

Mr. Benson was of course referring to motor-insurers' decision to reallocate the cost of fleet claims from January 1 next year, a decision which I had explained fully on May 2.

Space does not permit recapitulation, but the bare bones of the situation is this. The near-universal application of inter-office knock-for-knock agreements, whereby insurers forbear to sue one another, has distorted allocation of claims costs between vehicles insured fully comprehensively and the increasing number of fleet vehicles insured only with substantial damage excesses or for third-party cover.

Because claims costs have not been properly allocated, fleet operators buying restricted cover have their premiums subsidised by all who buy "comprehensive" cover.

By altering the terms of the standard knock-for-knock agreement, *insurers hope through* reallocation of fleet claims costs, to achieve by the end of 1980, a premium structure more equitable between those who buy restricted cover and those who do not.

Mr. Benson complains that the change in the knock-for-knock agreement "will result in the giving away of policy-holders' premium regardless of liability": but he does not complain that the operation of the existing agreement, again regardless of liability, results in some policy-holders paying too little premium at the expense of the majority who have to make up the deficit.

Commenting that the change may in a full year involve an increase in premiums of 30-50 per cent *for fleets buying* restricted cover, Mr. Benson says: "We have not been told that there will be any reduction in insurance costs" for the rest of the motor-insuring public.

But in present inflationary times there can be no reduction in rates. There can only be increases which are less than they might otherwise have been, or increases deferred for a longer period.

Obviously the rest of the motoring community must *benefit from* this cost, and therefore premium reallocation, but unfortunately that benefit will not be readily discernible.

Mr. Benson's final point is that the motor market is generally unwilling to provide minimum Road Traffic Act injury liability cover, and that insurers insist on providing damage liability cover as well.

There are good practical and political reasons for this. Britain is the only EEC country not to have some degree of compulsory damage liability insurance. Legislation, at the behest of Brussels, lurks round the corner, and is kept at bay only by the insistence of British insurers that in practice they provide full liability insurance.

That legislation will come sooner or later. If association members continue to press for injury liability cover, they will inevitably hasten the day when yet another compulsory insurance law is enacted.

APPOINTMENTS

Parker Knoll senior post

Mr. L. E. D. Baskerville has been appointed managing director of PARKER KNOLL FURNITURE, the furniture manufacturer division of Parker Knoll from August 1. He succeeds Mr. M. H. T. Jourdan, who continues as chairman and chief turing division of Parker Knoll Group.

*

Mr. Alan J. Harrison has been appointed manager and Mr. Saeedollah Mohamadi has been appointed deputy manager of the London branch of BANK SANAYE IRAN.

*

Mr. W. G. Kneale has been made a non-executive director of THE ROYAL TRUST COMPANY OF CANADA. Mr. Kneale, an assistant chief general manager Midland Bank, retires from the Midland Bank at the end of July.

The Royal Trust Company of Canada is the wholly-owned UK subsidiary of Royal Trustco.

*

The London and European representative office of GULF INTERNATIONAL BANK, BSC, has been up-graded to full branch status under the management of vice-president Dr. Walid Niazy. Mr. Tony Thornicroft has been appointed money market manager and Mr. Richard Liddall manager operations.

*

Mr. Andrew Ronay has been appointed director of public relations of THE BRITISH ALUMINIUM COMPANY.

*

Mr. Burton E. Robbins, chairman and chief executive officer of National Screen Service, has been elected president of VARIETY CLUBS INTERNATIONAL, the children's charity organisation.

*

Mr. Maurice Holmes, head of BRITISH RAIL'S Liverpool Street division, has moved to southern region's Waterloo HQ to take overall responsibility for running over 5,000 trains a day. He has become the southern's chief operating manager following Mr. Gordon Graham's move *to eastern region* headquarters at York.

*

Mr. Lewis R. Goodman, a director of the Vantona Group and chairman of CIPRA, has joined the Board of RELDAN as a non-executive director. Mr. Cyril Kern remains chairman and chief executive and the Board has been re-structured as follows: Mr. R. L. Marks deputy chairman and group financial director, Mr. J. Gold managing director (production), Mr. R. A. Kottler managing director (*sales*). *Mr. S. Cherfas merchandise* director. Mrs. J. M. Kern design director and Mr. D. W. Preston non-executive director.

TEL AVIV

Company	Prices July 8	Change on the week
Banking, Insurance and Finance		
Bank Leumi le Israel ...	398	+ 3.0
IDB Bankholding	471	+ 4.0
Bank Hapoalim Br.	486	+ 9.0
Union Bk. of Israel Br.	421	− 4.0
United Mizrahi Bank ...	284	+ 6.0
Hassneh Insurance Br.	299	− 27.0
General Mort. Bank Br.	330	− 9.0
"Tefahot" Israel M. B.	352	− 10.0
Land Development		
Africa Israel Inv. I£10	1,014	− 66.0
Israel Land Devpt. Br.	206	− 9.0
Property and Building...	434	− 20.0
Public Utility		
Israel Electric Corp. ...	223	+ 3.0
Investment Companies		
Bank Leumi Invest. ...	352	− 11.0
"Clal" Israel Invest. ...	581	− 28.0
Discount Invest.	306	− 29.0
Commercial and Industrial		
Alliance Tire & Rubber	1,200	− 45.0
Elco Br.	248	− 17.0
Argaman Textile Br. ...	378	− 20.0
"Ata" Textile "B" ...	162	+ 3.5
Amer. Israel Ppr. Mills	950	− 33.0
Assis	575	+ 15.0
Elite	400	− 9.0
Teva Reg.	591	− 13.0
Fuel and Oil		
Delek	230	− 15.0

Source: Bank Leumi le Israel BM. Tel. Aviv.

Public Works Loan Board rates

Effective from July 7

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	12½	12	12½	13½	13⅛	13
Over 5, up to 10 ...	12½	12¼	12⅝	13	13	13¼
Over 10, up to 15	12½	12⅝	12⅞	13½	13⅛	13½
Over 15, up to 25	12¾	12⅞	12¾	13¼	13¼	13¼
Over 25	12⅞	12¾	12⅞	13¼	13⅞	13¾

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

WORLD STOCK MARKETS

Indices

NEW YORK —DOW JONES

	July 6	July 5	July 3	July 2	June 29	June 28	1979 High	1979 Low	Since Compil'n High	Since Compil'n Low
● Industr'ls	846.16	[illegible]	835.58	834.04	841.98	845.04	878.72 (18/4)	807.00 (27/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	85.22	85.94	85.97	85.78	[illegible]	85.25	85.97 (5/7)	82.52 (8/6)	—	—
Transport..	248.94	245.57	242.01	241.37	242.28	242.83	248.64 (6/7)	205.78 (27/2)	279.88 (7/2/69)	12.23 (8/7/32)
Utilities.....	108.70	106.82	106.46	105.21	105.46	105.56	108.70 (6/7)	98.51 (15/6)	165.32 [illegible]	10.58 [illegible]
Trading vol 000's)	[illegible]	[illegible]	31,700	32,170	34 640	38 540	—	—	—	—

● Day's high 847.27 low 834.22

Ind. div. yield %	June 29	June 22	June 15	Year ago (approx)
	5.78	5.97	6.01	5.71

STANDARD AND POORS

	July 6	July 5	July 3	July 2	June 29	June 28	1979 High	1979 Low	Since C'mpil't'n High	Since C'mpil't'n Low
‡Indust'ls	114.77	115.44	115.09	115.86	114.14	115.89	116.63 (6/7)	107.08 (27/2)	134.54 (11/1/73)	3.52 (30/6/32)
‡Composite	103.62	102.45	102.09	101.86	[illegible]	102.80	103.62 (6/7)	96.13 (27/2)	125.85 (11/1/73)	[illegible]

	July 3	June 27	June 20	Year ago (approx)
Ind. div. yield %	5.28	5.27	5.30	5.18
Ind. P/E Ratio	7.92	7.94	7.91	8.93
Long Gov. Bond Yield	8.74	8.75	8.87	[illegible]

EUROPE

AMSTERDAM

BRUSSELS/LUXEMBOURG

SPAIN

COPENHAGEN

STOCKHOLM

VIENNA

GERMANY

SWITZERLAND

MILAN

OSLO

PARIS

TOKYO

BRAZIL

HONG KONG

JOHANNESBURG

AUSTRALIA

CANADA

WALL STREET

NEW YORK

1979 High	1979 Low	Stock	July 6
36	30½	Abbott Labs	[illegible]
24½	13⅛	AM International	14¾
42	31⅝	Control Data	[illegible]
55½	46⅝	Cooper Indus......	54⅜
75½	52¼	Corning Glass	59
55¼	48⅝	CPC Int'rnation'l	55¼
31	25½	Crane Co............	29¾
25⅞	23	Johns Manville ...	24⅛
77¼	67½	Johnson Johnson	71
31⅝	26	Johnson Control.	27¼
[illegible]	16⅜	Jostens.............	19
35⅝	29¾	Joy Manufacturg	32¼
59	37⅞	Revlon..............	46¾
39⅜	24½	Reynolds Metals.	34¼
59¼	55⅞	Reynolds (R.J.)...	59
31	19⅞	Rich'son Merrell.	22⅝
40⅛	26	Rockwell Inter....	37¼

INTERNATIONAL BONDS

BY FRANCIS GHILÈS

Tender feelings for the EIB

IN A major development in Eurobond market practices, the European Investment Bank last Wednesday invited 50 international banks to make competitive bids for a public Eurobond issue, the amount of which will be $100m or $150m, with a coupon of 9.70 per cent and a maturity of 10 years.

A tender system has long existed in the US domestic bond market but has never developed on this side of the Atlantic. Reaction among major international banks has been mixed, if not confused. Some of the banks which have traditionally led issues for the EIB appear far from happy. Most of the major Swiss and German banks had not reached a final decision last Friday but they gave the impression they would refrain from making a bid.

In London, reactions were mixed with many banks still wondering exactly how to respond. However, a number of leading houses were tentatively forming syndicates with the view of bidding either for blocks of $25m worth of bonds or multiples of that figure.

Banks are being invited by the EIB to submit a firm tender for the purchase of all or part of the issue on the basis of one price for one or more tranches of $25m. Banks will be able to put in more than one tender for a given tranche or a number of tranches, at different prices.

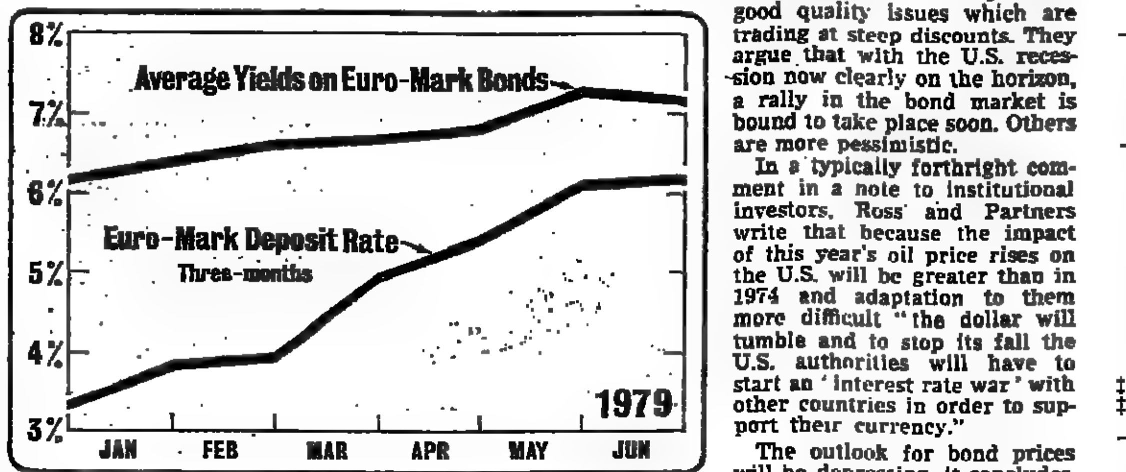
Banks can bid for a maximum of $100m or $150m. The final size of the issue will be decided by the EIB after receipt of all the bids.

After receiving all the bids, the EIB will accept one purchase price covering the entire issue and will select the most advantageous tenders. Starting with the highest bids, the borrower will thus accept all tenders down to the price at which the amount required was just covered.

The initiative taken by the EIB met with strong criticism, even from those U.S. banks which are keen to encourage the introduction of a tender system into the Eurobond market. These critics pointed out that they would rather have seen the EIB stick more closely to the rules of the game as it is played in New York. In the U.S. domestic bond market for corporate and municipal borrowers banks can only bid for whole issues and are allowed more freedom of manoeuvre.

The borrower does not insist that a coupon be set at the time of the launching of the issue, but leaves it to the end of the selling period.

The confusion has been all the greater as there are not well established syndicates of banks in the Eurobond market, as is the case in New York. Were the tender system to spread in the Eurobond market, syndicates would eventually emerge. But last week a game akin to blind man's buff was going on among major banks to find out who was joining forces with whom to do what.



Those who welcome the idea of a tender system were also wondering why the EIB had announced it wished to give publicity, through the publication of tombstones, to the amounts allotted to the different banks. They said that such action would only attract publicity seekers and in no way contribute to the success or failure of the operation.

The attempt being made by the EIB does not come at a very propitious time. The dollar sector of the market has been weak since the middle of last month and investors remain on the side lines as they try to make up their minds which way the U.S. currency is moving.

Three new dollar issues were announced last week, including a floating rate note for Genossenschaftliche Bank and a straight issue for Kay Capital. The $50m offering for Argentina is the first in the straight dollar sector since 1970. This borrower has arranged a number of Deutsche-Mark issues over the past 18 months.

The $50m issue for Dome Petroleum was priced at 98½ to yield 10.20 per cent instead of the indicated 99½ but fell to 96¾-7¼ as soon as it started trading. Some analysts believe that institutions are all set to move into the market and buy recent good quality issues which are trading at steep discounts. They argue that with the U.S. recession now clearly on the horizon, a rally in the bond market is bound to take place soon. Others are more pessimistic.

In a typically forthright comment in a note to institutional investors, Ross and Partners write that because the impact of this year's oil price rises on the U.S. will be greater than in 1974 and adaptation to them more difficult "the dollar will tumble and to stop its fall the U.S. authorities will have to start an 'interest rate war' with other countries in order to support their currency."

The outlook for bond prices will be depressing, it concludes, as the high negative carrying cost of bond inventories "will force some liquidations which will exacerbate an already difficult situation."

Further prices gains were recorded in the Deutsche Mark and Swiss franc sectors of the bond market while sterling bonds enjoyed a very good week, riding on the back of a rising currency. By Friday, however, activity in all major sectors of the market quietened considerably.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
‡†Panama	50	1991	8.45	7⊕	100	Dillon Read, IBJ Int.	7.12⊕
‡Dome Petroleum	50	1994	11.97	10	98½	Morgan Stanley	10.20
††§Canon Inc.	80	1994	—	*	*	Goldman Sachs	*
‡Australian Res. Dev.	30	1984	5	9⅞	99¼	Swiss Bk. Corp. (Luxem)	9.76
†City Investment Fin.	50	1986	6.1	8¾‖	100	Paribas	—
†Genossenschaftliche Bk	40	1989	10	5½⊕	100	Crédit Suisse First Boston	5.58⊕
††ECSC	125	1999	15	*	*	Lehman Bros., Kuhn Loeb	*
Argentina	50	1984	5	9⅞	99	Crédit Suisse First Boston	10.14
††Nacional Financiera	100	1986	7	6¼⊕	100	Soc. Générale, Salomon	6.35⊕
†Kay Capital	20	1985	*	8½⊕	100	Kidder Peabody	8.68⊕
D-MARKS							
‡**Inter-Amer. Dev. Bk.	50	1989	10	8	100	DG Bank	8.0
‡World Bank	400	1991	12	7½	100½	Deutsche Bank	7.68
Brazil	150	1987	8	8	100	Deutsche Bank	8.0
**Parker-Hannifin	30	1987	7	7½	99	Deutsche Bank	7.67
SWISS FRANCS							
‡Argentina	80	1989	n.a.	5½	99	Swiss Bank Corp.	5.63
‡Nordic Bank Ltd.	45	1989	n.a.	5	100½	Nordfinanz-Bank	4.94
‡City of Bergen	40	1991	n.a.	4¾	100	Crédit Suisse	4.75
‡**Dieselkiki (g'teed Ind. Bank of Japan)	20	1984	n.a.	4⅝	100	Crédit Suisse	4.625
Manufrance (g'teed St. Etienne)	16	1991	n.a.	5½	100	Banque Gutzwiller, Kurz, Bungener	5.5
‡**EDF (g'teed. France)	100	1986	n.a.	4⅜	100	UBS	4.375
‡**Ind. Dev. Corp. of S. Africa (g'teed S.A.)	30	1984	n.a.	5¾	100	UBS	5.75
‡**§Gunei Chem. Ind.	20	1984	—	4¾	100	Swiss Bank Corp.	4.68
‡**§Odakyu Railway	25	1984	—	4¾	100	Swiss Bank Corp.	4.81
BNDE	75	1989	n.a.	5	99	Crédit Suisse	5.13
KUWAITI DINARS							
‡Indonesia	7	1986/91	—	8¾	99¾	KIIC	8.78
Mitsubishi Hvy. Ind. (g'teed Mitsubishi Bk)	10	1984	3½	7½	*	KIC	*

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. ⊕ Minimum. § Convertible. †† Registered with U.S. Securities and Exchange Commission. ¶ Purchase fund. ‖ Optional fixed rate. Note: Yields are calculated on AIBD basis.

U.S. BONDS

BY JOHN WYLES

Waiting on the Fed

ACCORDING TO some participants, it is stretching the truth somewhat to imply that there was a New York bond market last week. An extremely thin new issue calendar gave investors very little new to bite on, while an extended break from July 4 left many Wall Street trading departments operating on skeleton staffs.

As a result, trading on all four days was extremely thin, allowing ample time for speculation on likely developments during the coming week. On Wednesday, the Federal Reserve Board's Open Market Committee will decide its interest rate strategy for the month ahead and on Friday, the administration will be giving the Senate Budget Committee the fruits of its mid-year review of the economy.

Of course, the economy remains as difficult to read as ever. On Friday, the market did not welcome the unexpected news of a fall in unemployment during June and prices were marked down somewhat. But they recovered after President Carter began emitting purposeful signals out of Camp David which it is hoped point to a new and comprehensive initiative on energy.

The 9¼ per cent Treasury bond of 2009 finished unchanged on the day at around 103¼ bid, a rise of about ⅜ on the week. Generally, corporates made some gains over the four trading days: Ford Motor Credit's 0.45 ten-year notes, rated triple A, rose by ⅞ to reduce their yield to 9.31, while Borden Inc's double A 9⅞ sinking fund issue due in 2009 gained about ⅞.

Majority opinion on Wall Street has it that the market has little to fear from the Fed this week, since the balance of argument points to maintaining the funds rate at its current 10¼ per cent. Broadly, it is said that the weakness in the economy evident from recent retail sales figures and falling auto sales militates against a move to raise the funds rate target, since the Fed has lost none of its reluctance to be saddled with responsibility for tipping the economy into a recession.

At the same time, the obviously high inflation rate, the burgeoning money supply statistics—11 per cent annual growth rates of M1 and M2 over the last 13 weeks—and renewed pressure on the dollar on the foreign exchanges offer very little scope for relaxing credit.

In its latest survey of the credit markets, Morgan Guaranty has pointed out that the rally in the bond markets since early May has coincided with a softening in overall credit demand, although the picture varies somewhat from sector to sector. Corporations, says the New York bank, have been borrowing at a record rate because of their inability to finance internally capital expenditures and inventory additions.

It estimates that bond financing in the first half of the year was at $16bn, second only to the record set in 1975. Meanwhile the Treasury's borrowing total of $5.5bn was the lowest since the first half of 1974 thanks to a federal government budget surplus.

At $65bn, mortgage market financing was only some $4.3bn below last year's record first six months, while the $21bn consumer credit total was only slightly below last year's pace, indicating that the rate of expansion is clearly slowing.

UK EXCHANGE CONTROLS

BY JOHN EVANS

Removing a psychological barrier

BRITAIN'S INSTITUTIONAL investors should shortly be given much more freedom to deploy their funds overseas.

The Eurobond markets will be clearly aiming to court the influential fund managers in the City and Edinburgh if the current stock market speculation proves correct. It suggests that Britain, as sterling strengthens, will lift most outward exchange controls.

Such controls have existed for 40 years, with the most important portfolio barrier represented by the investment currency premium system.

The premium currently stands at around 5 per cent, after being as high as nearly 50 per cent this year. It does not represent much of a major obstacle to overseas investment at the moment but rather, in the London view, is largely a "psychological" barrier.

UK institutions show a wide divergence of opinions over how they will adjust their investment activities to a free environment. In the majority of cases, the Eurobond markets should not count on being the major beneficiaries of such liberalisation.

Nevertheless, some of the big UK pension funds seem ready to take on a fairly aggressive attitude.

One major multinational energy group, with a £650m domestic pension fund, indicates that it would be prepared to shift up to £10m into overseas securities fairly speedily if most controls were lifted.

The fund reckons that sterling is looking overvalued at current levels. Its shift of funds, while fairly small in relation to total resources, would represent prudential currency diversification.

"You've got to remember that the major gains in overseas investment in recent years have come from favourable currency movements, rather than income or choice of the right individual security," it notes.

This fund views "hard currency" outlets, such as the Deutsche Mark and yen, as the most attractive bet.

Another oil company fund, which stands at about £600m, is treading much more warily. Ten per cent of its funds are already abroad, and it indicates that matching problems could arise if this ratio was raised since all its liabilities are in sterling.

Other pension funds admit that the matching of assets and liabilities in sterling would also inhibit their investment strategies. But one explains, "In the short-term we do not try to match, as the right currency choice is a dominating factor in our decision-making."

Most institutions also believe that attractions of British gilt-edged stocks, where yields of up to 13 per cent are now available, will tend to hold institutional money within London.

According to one manager, "We have looked at Deutsche Mark Eurobonds returning up to 8 per cent. But this means, with the yield gap compared with Gilts, the prospective currency appreciation of the Deutsche Mark has to be up to 5 per cent annually to make the switch worthwhile.

A major insurance group, with a £800m-£900m life fund, says it has a fair geographical diversification of investments, in the U.S., the Commonwealth, Europe and the Far East.

Liberalisation of exchange control will obviously help extend this trend, it says. The UK stock market presently is not able to provide a sufficient diversification in terms of say, mining or relted industrial stocks, so investments frequently have to be chosen in the U.S., Australia, Germany and Japan, the fund adds.

The same insurance group has a general international fund worth the equivalent of £100m. Like most insurance companies, it is free to cover 100 per cent of its account liabilities in foreign currencies, where these liabilities come from foreign sources.

This type of fund has represented the main source for UK investment in the Eurobond market in recent years. These funds are predominantly dollar-denominated, and are often up to 75 per cent lodged in fixed-interest Eurodollar bonds.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Alcoa of Australia 10 89	60	99⅛	99⅝	+0⅛	+0⅛	10.08
Alex Howden XW 9½ 91	30	85¼	86⅛	+0¼	−0⅛	11.78
Avco O/S Cap. 10¼ 87	40	97⅝	98⅛	0	+0⅛	10.65
Bayer Int. F. XW 7¼ 89	200	84⅛	84⅝	−0⅛	0	9.81
CECA 9⅛ 84-99	50	95	95½	0	−0⅛	9.92
Canada 9 83	400	98⅛	99¼	−0¼	−0⅛	9.50
Canada 9¼ 98	350	†99⅜	99⅞	0	+0⅛	9.52
Canadian Pacific 9⅛ 89	50	98⅛	98⅝	−0⅛	−0⅛	9.87
Comalco Inv. E. 10⅛ 91	40	98⅛	99¼	0	0	10.32
Dominion Bridge 10⅛ 84	30	99¼	99⅞	−0⅛	0	10.34
Dow Chem. O/S 9⅞ 94	200	98⅛	98⅝	−0⅛	−0⅛	9.81
EIB 9⅞ 98	125	†95	95½	0	+0⅛	9.89
EIB 9⅞ 86	150	99⅞	100⅛	0	−0⅛	9.85
EIB 9⅞ 99	100	100⅝	101⅛	−0¼	+0⅛	10.01
EIB 9⅞ 87	150	100⅞	101⅛	+0⅛	0	9.90
EIB 10 99	150	101⅛	102⅛	0	+0⅛	10.02
Export Dv. Cpn. 9.85 84	150	101⅛	101⅞	+0⅛	+0⅛	9.62
Export Dv. Cpn. 9⅛ 84	100	97⅞	98⅜	−0⅛	0	9.81
Eksportfinans 9 86	60	95⅝	96⅛	−0⅛	−0⅛	9.79
Finland 9½ 86	100	97⅛	98⅛	0	−0⅛	9.93
GTE Fin. 9⅛ 84	50	97⅛	97⅝	−0¼	−0⅛	10.17
Gould Int. Fin. 9⅞ 85	50	99	99½	0	+0⅛	9.90
Hospital O/S 9 83	25	†96½	97	0	0	9.97
Hudson Bay Co. 10 84	50	100	100½	0	−0⅛	9.95
Itel Finance 9⅛ 90	30	†87	87½	−2	−1	11.84
Itel Finance 10½ 93	40	†88	88⅛	−2	−1	12.30
ITT Antilles 9⅛ 89	75	96⅛	97⅛	0	0	9.98
Kennecott Int. 9⅞ 86	100	96⅛	96⅝	−0⅛	−0⅛	10.22
Manitoba 9⅞ 89	75	97⅛	97⅝	−0⅛	−0⅛	9.90
Nat. Des Telecm. 9½ 86	100	98⅛	98⅞	0	0	9.78
New Brunswick 9¼ 94	75	97⅛	97⅞	0	0	10.05
Newfoundland 10 94	50	99⅛	100	−0⅛	−0⅛	10.02
Norsk Hydro 9⅞ 94	50	95½	96	0	+0⅛	9.80
Norway 9⅞ 84	150	100⅛	101⅛	+0⅛	+0⅛	9.70
Norway 9½ 84	150	99	99½	0	0	9.66
Nova Scotia Pwr. 9⅞ 89	50	98⅛	98⅝	0	0	10.01
Occidental Fin. 10⅛ 84	50	99⅛	100	0	0	10.31
Orient Leasg. NV 9½ 86	25	†96⅛	97	−0⅛	−0⅛	10.17
Pennwalt O/S F. 9⅛ 84	25	98⅛	98⅝	0	−0⅛	10.01
Portland 10 84	50	†97⅛	98	+0⅛	+0⅛	10.61
Quebec Hydro 10 99	75	96½	97	0	0	10.38
Redland Fin. XW 9½ 91	25	†91½	92½	−0¼	−0⅛	10.72
Sears Roebuck 9 82	150	98⅛	99	+0⅛	+0⅛	9.58
Stockholm 9⅛ 94	60	100½	101	0	+0⅛	9.88
Sweden 9⅞ 89	100	99⅛	99⅝	+0⅛	0	9.82
Sweden 9½ 86	200	99½	100	−0⅛	+0⅛	9.77
U.S. Leasing Intl. 10 84	20	†96⅞	97⅛	0	+0⅛	10.81

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
American Ex. Int. 5½ 87	70	93⅛	94⅛	0	0	6.66
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 5⅞ 88	15	86	87	−0⅛	+0⅛	7.87
Australia 5.6 83	30	92¼	93¼	0	+0⅛	7.70
Australia 6½ 88	20	89⅞	89⅞	0	+0⅛	8.30
Finland 5.6 83	10	90⅛	91⅛	0	0	8.16
Finland 6.8 88	10	90¼	91¼	0	−0⅛	8.39

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Nordic I. Bk. 9 84 SDR	20	96	97	0	0	9.94
Avco Fin. 10¼ 86 C$	25	96½	97	0	0	10.53
Ex. Dev. Cpn. 10 84 C$	50	99	99½	0	−0⅛	10.19
Est. Can. Inv. 10 84 C$	50	98⅛	98⅝	0	+0⅛	10.26
Hudson Bay 10½ 89 C$	60	99⅛	100⅛	0	0	10.51
Quebec 10¼ 86 C$	50	97⅝	98⅛	−0⅛	−0⅛	10.69
R. Bk. Canada 10 86 C$	40	100	100½	−0⅛	−0⅛	9.94
R. Bk. Canada 10 84 C$	40	98⅛	98⅞	−0⅛	0	10.45
Copenhagen 8½ 91 EUA	25	†97½	98½	−0⅛	+0⅛	8.52
Komm. Inst. 7½ 93 EUA	15	94½	95½	+0⅛	+0⅛	8.08
Panama 8½ 93 EUA	20	†93½	94½	−0⅛	−0½	9.01
SOFTE 8¼ 89 EUA	40	†95½	97	−0¼	+0⅛	8.83
Algemene Bk. 6¼ 83 Fl	75	91⅞	92⅛	−0⅛	−0⅛	8.73
CFE Mexico 7¼ 83 Fl	75	93⅛	94⅛	0	−0⅛	9.63
EIB 7¼ 85 Fl	75	90½	91	−0⅛	−0⅛	9.26
Ned. Middbk. 8¼ 84 Fl	75	97⅛	97½	+0⅛	−0⅛	8.87
New Zealand 6¾ 84 Fl	75	90⅛	90⅞	+0¼	−0½	9.18
Norway 8¼ 84 Fl	100	97	97½	−0⅛	−0⅛	8.97
Elf Aquitaine 9⅛ 88 FFr	150	93⅛	94⅛	−1⅛	−1⅛	10.82
EIB 9⅞ 88 FFr	200	93⅛	94⅛	−1½	−1⅞	10.82
Euratom 9⅞ 87 FFr	150	93¼	94¼	−1⅞	−2⅛	10.96
Norway 9⅛ 84 FFr	200	95½	96½	0	−0½	10.35
PSA Peugeot 9⅞ 87 FFr	175	93⅛	94⅛	−1⅛	−1⅞	10.96
Saint-Gobain 9⅞ 86 FFr	130	93½	94½	−1½	−2⅛	11.06
Solvay et Cie 9⅞ 87 FFr	125	93⅛	94⅛	−1¼	−2⅛	10.94
Total Oil 9⅞ 87 FFr	150	92⅛	93⅛	−1⅛	−1⅛	10.82
Unilever 10 85 FFr	100	96⅛	97⅛	−0⅛	−1⅛	10.59
CECA 9⅞ 89 £	20	89⅛	90⅛	−0⅛	+0⅛	11.42
Citicorp 10 93 £	20	92⅛	93	−0⅛	+2⅛	11.06
EIB 9⅞ 88 £	25	89⅞	90⅛	−0⅛	+1⅛	11.87
EIB 11½ 91 £	25	96⅛	96⅞	−0⅛	+0⅛	12.12
Finance for Ind. 13 91 £	15	103⅛	104½	−0⅛	+3⅛	12.31
Gen. Elec. Co. 12¼ 89 £	50	101⅛	102⅛	−0⅛	+2⅛	12.16
Euratom 8 87 LuxFr	500	97½	98½	+0⅛	+0⅛	8.35
Norges Km. 8 86 LuxFr	500	95⅞	96⅞	+0½	−0⅛	8.69
Oslo, City of 8 89 LuxFr	500	97½	98½	+0⅛	+0⅛	8.30
Solvay Fin. 8 85 LuxFr	500	†95⅞	96⅞	−1½	−1½	8.89
Swedish Bk. 8 88 LuxFr	500	†95⅛	96⅛	0	−1	8.88

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
BFG Fin. Co. M5.5 89	0⅛	98⅛	98⅝	12/7	12.4	12.64
BNDE M6 89	0⅛	96⅞	97⅛	21/9	11⅛	11.44
Banco di Roma M6 87	0⅛	98⅛	98⅝	26/10	11.19	11.34
Bco. El Salvador M8 83	1⅛	†95	95½	12/10	12⅛	12.86
Bco. Nac. Argent. 7 86	0⅛	97½	97⅞	22/9	11½	11.78
Banco Prov. BA M7⅛ 86	0⅛	98⅛	98⅞	12/6	11	11.17
Banco Urquijo 6 86	0⅛	97½	98⅛	21/9	11½	11.72
Bank of Tokyo M5½ 83	0⅛	99	99½	18/10	11⅛	11.84
Bq. Ext. d'Alg. M7.5 85	0⅛	94⅛	95	2/11	11⅞	12.62
BNP 5½ 91	0⅛	[illegible]	[illegible]	22/2	11⅛	11.53
Citicorp O/S Fin. 6 84	‡0⅛	99½	100	8/9	10.69	10.71
Creditanstalt M5½ 91	‡0⅛	98⅛	98⅝	14/6	10⅞	11.06
Gotabanken M6 88	0⅛	98⅛	98⅞	15/6	11⅛	11.66
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BONDTRADE INDEX AND YIELD

	Medium term		Long term	
July 6 ...	95.38	8.66	89.43	9.42
June 29 ...	95.35	8.67	89.39	9.44
High '79 ...	95.75	(1/2)	89.99	(30/1)
Low '79 ...	94.40	(11/1)	88.67	(28/2)

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euroclear
U.S. $ bonds		
Last week	1,122.9	1,762.0
Previous week ...	987.3	2,265.0
Other bonds		
Last week	323.9	306.3
Previous week ...	368.6	339.6

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. M=Minimum coupon. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; E. F. Hutton Services SARL; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Internationale Luxembourg; Krediet Bank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bankers Trust International; Bondtrade; Banque Francaise de Credit International; Citicorp International Bank; Daiwa Europe NV; Deltec Trading Company; Dillon Read Overseas Corporation; EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nesbitt Thomson; Salomon Brothers International; Samuel Montagu and Co.; Scandinavian Bank; Strauss Turnbull and Co.; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on July 6

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	The Royal Tournament (01-930 6009) (until July 26)	Earls Court
July 18—28	The World Wine Fair and Festival (Bristol 211617)	Bristol Exbn. Centre
July 23—27	How to sell into the Common Market Exhibition—IMPO EXPO (01-248 4444)	Wembley Conference Centre
July 23—28	Middle East Business Expo '79 (01-580 5816)	Grosvenor House
July 23—27	Impo 79—How to sell into the Common Market Exhibition (01-248 4444)	Wembley Conference Centre
July 25—26	Vandalproofing Exhibition (01-261 8000)	West Centre Hotel, Fulham
July 27—Aug. 1...	British Musical Instrument Trade Fair (01-428 4700)	Olympia
July 29—Aug. 2...	International Gifts Fair (01-855 9201)	Olympia
Aug. 17—19	Custom Car Show (08833 4371)	Bristol Exbn. Centre
Aug. 25—Sep. 1...	International Motor Cycle Show (01-741 2156)	Earls Court
Sept. 7—12	International Hardware Trades Fair (St. Albans 55213)	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

Current	Summer Home Furnishings Market (until July 13)	Dallas
July 9—12	The National Houseware Exhibition	Chicago
July 16—20	Wood '79—The International Forestry Development, Timber Processing and Wood Working Exhibition	Singapore
July 23—28	International Engineering Exhibition	Melbourne
July 23—27	International Public Works and Municipal Services Exhibition—CIVICON (01-486 1951)	Johannesburg
Aug. 7—11	Horse Show (Dublin 680645)	Dublin
Aug. 13—16	National Hardware Show	Chicago
Aug. 13—17	ENVIRO '79—The International Environmental and Engineering Exhibition	Singapore
Aug. 17—26	International Trade Fair (01-486 1951)	Malmo
Aug. 20—Sep. 20	International Fair	Izmir
Aug. 20—24	International Packaging and Food Processing Exhibition—PAKPROCESS (01-486 1951)	Zurich
Aug. 26—27	Zuspa: International Shoe Samples Fair	Frankfurt
Aug. 26—29	International Fair (01-734 0543)	Johannesburg
Aug. 29—Sep. 12	Timber and Woodworking Industry Exhibition	Moscow

BUSINESS AND MANAGEMENT CONFERENCES

Current	Bradford University: Management Information and Modelling Systems (Bradford 42299) (until July 13)	Bradford
Current	FT/City University course: Financial Management For The Non-Financial Executive (01-236 4382) (until July 20)	The City University
July 10	ASM: Business Laws for Directors (01-385 1992)	Piccadilly Hotel, W1
July 12—14	Centre for Advanced Land Use Studies: Marketing Recreational Facilities (Reading 861101)	Reading University
July 13—15	Industrial Participation Association: Summer Conference (01-222 0351)	Churchill College Cambridge
July 16—18	MSS: Inventory Management and Control (Worthing 34755)	Worthing
July 17	Institute of Purchasing and Supply: Oil—How serious a crisis? (Ascot 23711)	Grosvenor House Hotel, W1
July 17	IPS: Is there an Oil Crisis? (0990 23711)	Grosvenor House Hotel, W1
July 17—19	ASM: Management of the Drawing Office (01-385 1992)	Piccadilly Hotel, W1
July 17—18	Benn Publications: Machinery, Adding Value and Marketing (01-353 3212)	Singapore
July 18	Offshore Centre: Oil and Gas Developments and Energy Programmes in Argentina (01-439 9021)	Regent Street, W1
July 18—20	Lloyd's of London Press—BILA London Colloquium 79 (01-353 1000)	University College, London
July 19—20	The Institute of Metallurgical Technicians: Heat Treatment—Methods and Media (01-446 2251)	University of Aston
July 20	INCOMTEC: Product Liability—Law and Practice in Britain and Abroad (0276 62677)	Europa Hotel, W1
July 22—27	DIB: Speaking Course Based on Special Industrial Subjects (00441 27671774)	Bagshot, Surrey
July 22—27	CCC: A Practical Guide to Business Law in the UK (01-222 6362)	Queen's College, Cambridge
July 22—28	Centre for Extension Studies: Summer Programme (0509 63171)	University of Technology, Loughborough
July 23—27	BACIE: Training for the Office (01-636 5351)	Sackville Hotel, Hove
July 24—25	LAMSAC: Housing Management and the Computer (01-828 2333)	Regent's Park, NW1
July 26—27	LAMSAC: Mini and Micro Computers in Local Government (01-828 2333)	Regent's Park, NW1
July 30—Aug. 1 .	Oyez-IBC International Conference on Cohesive Sediments (01-242 2481)	Churchill College, Cambridge
July 30—Aug. 17 .	Compower: Basic Trainee Programming Course (Cannock 2511)	Cannock, Staffs.
July 31	British Safety Council: Product Liability—Let the Seller Beware (01-741 3812)	Hilton Hotel, W1
Aug. 1—2	MSS Computer and Business Consultancy: The Executive Secretary (Worthing 34755)	Worthing

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The Board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Cakebread Robey, 318, Southbury Rd., Enfield, Middlesex, 11.00
East Midland Allied Press, Great Northern Hotel, Peterborough, 2.45
Fortnum and Mason, Mayfair Hotel, W., 10.30
Fraser and Ansbacher, Plaisterer's Hall, 1, London Wall, E.C., 11.50
London and Overseas Freighters, Baltic Exchange Chambers, 14-20, St. Mary Axe, E.C., 11.00

BOARD MEETINGS—
Finals: Cardo Eng. Graig Shipping. Marler Ests. May and Hassell. Rothschild Inv. Tst. Second Grt. Nthern. Inv. Tst. Warner Holidays.
Interims: Eurotherm Intnl. Status Dis.

DIVIDEND & INTEREST PAYMENTS—
Avon Rubber 4p
Bailey (Ben) Construction 0.33p
British Waterworks 3.5pc (fmly. 5pc) Cons. Pf. 1.75pc. 3.5pc (fmly. 5pc) Red. Pf. 1980-81 1.75pc. 3.85pc (fmly. 5½pc) Red.Pf. 1982 1.925pc. 2.8pc (fmly. 4pc) Perp.Pf. 1.4pc. 4.025pc (fmly. 5¾pc) Red.Pf. 1983-85 2.0125pc. 4.55pc (fmly. 6½pc) Red.Pf. 1980-82 2.275pc. 8½pc Red.Pf. 1982 4.25pc. 9pc Red.Pf. 1980 4.5pc. 10pcRed.Pf. 1979 5pc
Brooke Tool Engng. 1.21p
London and Northern 2.1p
London and Overseas Freighters 1.072p
Minster Assets 2.3p
Nineteen Twenty-Eight Inv. Tst. Ord. 2.08p
North British Steel 0.66p
Scott's Restaurant 2.18p
Slingsby (H. C.) 1.8p
Smith (W. H.) A Ord. 2.34p. B Ord. 0.468p
Stewart and Wight 4p
Williams (W.) 0.625p

TOMORROW

COMPANY MEETINGS—
Campbell and Isherwood, Pennell Works, Hawthorne Rd., Bootle, Merseyside, 11.00
Daily Mail and General Trust, Carmelite House, E.C., 12.00
First Castle Securities, Castle Chambers, 43, Castle St., Liverpool, 11.45
Land Securities Invest. Tst., Devonshire House, Piccadilly, W., 12.00
Westpool Invests., 120, Cheapside, E.C., 3.00

BOARD MEETINGS—
Finals: Euston Centre Props. Investors Cap Tst. Marling Inds. Utd. Brit. Secs. Wipfall (H.). Wrighton (F.).
Interims: Macphersons (D.).

DIVIDEND & INTEREST PAYMENTS—
Bristol Waterworks 4.9pc (fmly. 7pc max.) Cons. Ord. 1.225pc. 3.5pc (fmly. 5pc) max. Ord. 0.875pc
Browning Ferris Inds. 15 cents
Cakebread, Robey Ord. and A 1.32p
Canal Randolph Corpn. 16 cents
East Midland Allied Press Ord. and A 1.15892p
Gieves Group 3.238923p
Gwent Water Board 5¼pc Red. 1977-79 2⅝pc
Hewden Stuart Plant 0.77378p
Hinton (Amos) 1.09681p
Hongkong Tin 40p
Imperial Chemical Inds. Ln. 4pc
Ireland 7½pc 1981-83 3¾pc
Law Land 0.6p
London County 6¾pc 1985-90 3⅜pc
Sheepbridge Engng. 2.51p
Thomson T-Line Caravans 1.7p
Treasury Ln. 8½pc 1984-86 4¼pc
Treasury 11¾pc 1991 5⅞pc
Vaux Breweries 1.8425p
Young Co. Brewery AOrd. and N.-vtg. 1.8223p

WEDNESDAY, JULY 11

COMPANY MEETINGS—
Barrow Hepburn, Connaught Rooms, Great Queen St., W.C., 11.00
Capper Neill, Midland Hotel, Manchester, 11.30
Energy Services and Electronics, Piccadilly Hotel, Piccadilly, W., 12.00
Executive Clothes, Pateley Room, Queens Hotel, Leeds, 11.30
Foster Brothers, St. Johns' Hotel, 651, Warwick Rd., Solihull, West Midlands, 12.00
Holt Lloyd Intnl., Lloyds House, Alderley Rd., Wilmslow, Cheshire, 3.00
London Sumatra Plantations, Baltic Exchange, 14-20, St. Mary Axe, E.C., 12.00
Milletts Leisure, Abercorn Rooms, Liverpool St., E.C., 12.00
Scottish European Inv., 45, Charlotte Square, Edinburgh, 2.30
Twinlock, St. Ermin's Hotel, Caxton St., S.W., 11.30

BOARD MEETINGS—
Finals: Belhaven Brew. Bulmer (H. P.). Oarae Inv. Tst. Downing (G. H.). Hollas Gp. Latham (J.). Mitchell Somers. Moorgate Inv. Textured Jersey. Wood (S. W.).
Interims:
Gen. Consd. Inv. Tst.

DIVIDEND & INTEREST PAYMENTS—
Bishop's Stores Ord. and A 1.6104p
CNA Investments 20 cents
Campbell and Isherwood 3.2869p
Crean (James) 1.75p
Deritend Stamping 7.72p
French (Thomas) 1.4p
Jersey General Inv. Tst. 8.5p
Keystone Inv. 2.5p
Rowntree Mackintosh 8.5p
Sharpe and Fisher 0.2p

THURSDAY, July 12

COMPANY MEETINGS—
Assoc. British Foods, Connaught Rooms, Great Queen St., W.C., 11.00
Atkins Brothers, The Old Cottages, Lower Bond St., Hinckley, 12.00
Avenue Close, Winchester House, 100 Old Broad St., E.C., 12.00
Control Securities, Winchester House, 100, Old Broad St., E.C., 12.00
Debenhams, The Wigmore Hall, Wigmore St., W., 12.00
Dualvest, 117, Old Broad St., E.C., 12.15
Foster (John), Waldorf Hotel, Aldwych, W.C., 12.30
Property and Reversionary Inv. Corpn., Albany House, Petty France, S.W., 12.00
Rowton Hotels, Mount Pleasant Hotel, Calthorpe St., W.C., 12.00
Warrington (Thomas), Grosvenor Hotel, Eastgate St., Chester, 11.00

BOARD MEETINGS—
Finals: Airfix Inds. Brit. Bldg. and Engg. Appls. Downs Surgical. Howdens Gp. Lennons. Rothmans Intnl. Sturla Hldgs. Utd. Gas Inds. Watson (R. Kelvin).
Interims: Imp. Gp. Morgan Crucible. St. Andrew Tst. Thermal Syndicate. Tribune Inv. Tst. Watson and Philip

DIVIDEND & INTEREST PAYMENTS—
Advance Laundries 1.768p
Altifund Income 6.7p. Capital 0.335p
Barrow Hepburn 1p
Berec Group 3.5808p. 10pcPf. 3.5pc
Capper-Neill 2.01p
Downiebrae 1.81p
Early (Charles) and Marriott (Witney) 2.1pc
Executive Clothes 1.42p
Foster Brothers Clothing 3.43373p
Foster (John) 5.5p
Milletts Leisure Shops 3.317p
Moorhouse and Brook 3.96p
Moss Engineering 2.01p
Ranks Hovis McDougall 1.452p
Ransome Hoffmann Pollard 1.44p
Tameside Var. Rate Red. 1983 £6.5625
Yorkshire and Lancs. Inv. Tst. 0.5p

FRIDAY, JULY 13

COMPANY MEETINGS—
British Vending Inds., Unit 3, Plybrook Place, Garth Rd., Morden, Surrey, 10.30
Buckley's Brewery, Smith's Arms, Pengelly, Llanelli, 10.45

BOARD MEETINGS—
Finals:
Marston Thompson and Evershed
Thorn Electrical
Town and City Props.
Interim:
Dewhurst and Partner

DIVIDEND & INTEREST PAYMENTS—
Buckley's Brewery 1.375p
Cartiers Superfoods 1.608p
Feedex Agricultural Inds. 0.885p
Greatermans Stores Ord. and A 5 cents
Howard and Wyndham 9pcPf. 1.2875pc. Ln. 9pc
Hunting Petroleum Services 3.25p
Kelsey Inds. 1.5p
London Atlantic Inv. 2.1p
Lucas Inds. Ln. 5¼pc
Marks and Spencer 1.4587p
Minty 4.246p
Moorside Trust Db. 1¾pc
Morgan (J. P.) 62½ cents
North Midland Construction 0.45p
Occidental Petroleum 37½ cents
Panto (P.) 0.8p
Parkland Textile Ord. and A 1.77778p
Schlumberger 27½ cents
Scottish European Inv. 1.25p
Stockholders Invest. Trust 1.1p
Warrington (Thomas) 2.1642p

SATURDAY, JULY 14

DIVIDEND & INTEREST PAYMENTS—
Associated Electrical Inds. Db. 3¼pc
Edinburgh Inv. Trust Db. 1½. 2¼pc
Funding 3½pc 1999-2004 1¾pc
Goldberg (A.) 3.8325p
Imperial Cold Storage and Supply 8.18324p
Mellins 10pcPf. 7pc
Trafalgar House 2.11p
Treasury Ln. 12½pc 1993 6¼pc

SUNDAY, JULY 15

DIVIDEND & INTEREST PAYMENTS—
Agricultural Mortgage Corpn. 6½pcDb. 1992-94 3¼pc. 5½pcDb. 1980-85 2¾pc. 5pc 5½pcDb. 1993-95 2¾pc
Bell Canada 38 cents
Camden 12½pc Red. 1985 6¼pc
City Offices 4½pcPf. 1.575pc
Corp. of London 6½pc 1980-82 3¼pc
Cosalt Ln. 5pc
Fluor Corpn. 37½ cents
Funding 5½pc 1982-84 2¾pc
Imperial Chemical Inds. Bds. 5½pc
Ley's Foundries and Engng. 6pcPf. 2.1pc
London Brick Ln. 7pc
London County 5½pc 1982-84 2¾pc
M. and G. Income Units 3.1p
Northern Rhodesia 6pc 1979-81 3pc
Royal Worcester Ln. 4½pc
Scottish Western Inv. 4½pcPf. 1.575pc. Db. 3pc
Treasury Ln. 9½pc 1999 4¾pc. 8¾pc 1980-82 4⅜pc
Treasury stk. 13pc 1990 6½pc. 11¾pc 1981 5⅞pc

Tougher regime for detention centres under consideration

BY PAUL TAYLOR

THE GOVERNMENT is considering introducing "a tougher regime" into a limited number of detention centres in advance of possible new legislation which would allow "very short" deterrent custodial sentences for young offenders.

The Government's proposals for dealing with young offenders were detailed yesterday by Mr. Leon Brittan, Home Office Minister, in a speech to the Conservative Political Centre Summer School in Cambridge.

Mr. Brittan said the present role of detention centres, borstals and young offenders' prisons needed "radical rethinking."

He said that at present some young offenders are "herded together in appallingly overcrowded conditions in old prisons. "Wherever young offenders were given long custodial sentences they must be provided with proper training facilities and the Government must, over a period of time, seek to provide adequate resources for training.

However, Mr. Brittan said that within the overall approach to young offenders there must also be room for a custodial sentence that "does not pretend to have a substantial training element in it." Such a short custodial sentence would be used as a deterrent, particularly for the young hooligan and it was in this context that the Government's proposals for tougher regimes in a limited number of detention centres must be seen.

If short sentences—perhaps of a few weeks or less—were available to the Courts legislation would be required, but Mr. Brittan said that it would be possible in the first place to introduce the tougher regime into some detention centres within the existing legislation.

With this in mind he said it would be necessary to work out the precise staffing arrangements for these detention centres and to decide on the criteria and method of allocating for them.

This week in Parliament

TODAY

COMMONS—Finance Bill, committee stage.

LORDS — Northern Ireland Orders. St. Vincent, Termination of Association Order. Debate on UK contribution to EEC budget.

TOMORROW

COMMONS—Finance Bill, completion of committee stage. Motion on Customs Duty (Personal Reliefs) Amendment Order.

LORDS—Government debate on Rhodesia.

WEDNESDAY

COMMONS—Motions on MPs' salaries.

LORDS—Debate on Government plans to reverse the UK's economic decline. Criminal Justice (Amendment) Bill, second reading.

THURSDAY

COMMONS—Education Bill, remaining stages.

LORDS—Pensioners' Payments and Social Security Bill, all stages. Social Security Revaluation of Earnings Factors Order. Army, Air Force and Naval Discipline Acts continuation Order. Debate on 16th report of the EEC on textile and clothing industry. Short debate on Home Office circular on juveniles and co-operation between police and other agencies.

AUTHORISED UNIT TRUSTS

Minster Fund Managers Ltd.
Minster Hse., Arthur St., EC4R 9BH 01-623 1050

Minster July 2	39.2	41.2xd	.....	6.13
Exempt June 29	104.4	108.4	.....	6.18

MLA Unit Trust Mngmnt. Ltd.
Old Queen Street, SW1A 9JG. 01-222-8177

MLA Units	56.2	59.1	.....	3.58

Murray Johnstone U.T. Mgmt.♥ (a)
163, Hope Street, Glasgow, G2 2UH. 041-221 5521

MJ European	67.6	73.0	.....	4.65

Dealing Day Friday.

Mutual Unit Trust Managers♥ (a)(g)
15 Copthall Ave., EC2R 7BU. 01-606 4803

Mutual Sec. Plus	53.5	57.1	-0.5	7.30
Mutual Inc. Tst.	74.0	78.8	-0.3	7.50
Mutual Blue Chip	46.7	50.7	-0.1	6.70
Mutual High Yld.	58.1	63.0	-0.8	8.90

National and Commercial
31, St. Andrew Square, Edinburgh. 031-556 8555.

Income July 4	166.2	172.4	.....	5.78
(Accum. Units)	235.8	244.6	.....	5.78
Capt. July 4	138.4	143.4	.....	3.40
(Accum. Units)	170.2	176.4	.....	3.40

National Provident Inv. Mngrs. Ltd.♥
48, Gracechurch St., EC3P 3HH. 01-623 4200

N.P.I. Gth.Un.Tst.	53.3	56.8	.....	4.80
(Accum. Units)*	67.4	71.8	.....	4.80
NPI O'seas. Trust	123.3	130.5	.....	2.50
(Accum. Units)**	133.5	141.3	.....	2.50

*Prices on June 19. Next dealing July 26.

National Westminster♥ (a)
161, Cheapside, EC2V 6EU. 01-606 6060

Capital (Accum.)	69.9	75.3	-0.5	4.04
Extra Inc.	65.4	70.3	-0.8	8.96
Financial	34.0	36.9xd	-1.2	5.32
Growth Inv.	85.7	92.1xd	-2.8	2.92
Income	36.0	38.7	-0.5	7.35
Portfolio Inv. Fd.	73.2	76.6xd	-1.2	6.22
Universal Fd.	41.5	44.6	+0.3	2.98

NEL Trust Managers Ltd.♥ (a)(g)
Milton Court, Dorking, Surrey. 5911

Nelstar	63.0	66.3	+0.3	5.03
Nelstar High Inc.	49.2	51.8	+0.1	8.11

Norwich Union Insurance Group (b)

Prudl. Portfolio Mngrs. Ltd.♥ (a)(b)(c)
Holborn Bars, EC1N 2NH. 01-405 9222

Prudential	139.0	147.5	+1.0	4.99

Quilter Management Co. Ltd.♥
The Stock Exchange, EC2N 1HP. 01-600 4177

Quadrant Gen. Fd.	120.1	125.2	.....	3.81
Quadrant Income	141.6	146.0	.....	8.23

Reliance Unit Mgrs. Ltd.♥
Reliance Hse., Tunbridge Wells, Kt. 0892 22271

Opportunity Fd.	69.3	74.1	.....	5.91
Sekforde T. (Acc.)	44.4	47.5	.....	5.21
Sekforde T. Inc.	41.7	44.6	.....	5.21

Ridgefield Management Ltd.
38-40, Kennedy St., Manchester 061-236 8521

Ridgefield Int. UT	72.0	77.0xd	-5.0	3.07
Ridgefield Income	88.0	94.0xd	-2.0	9.69

Rothschild Asset Management (g)
72-80, Gatehouse Rd., Aylesbury. 0296 5941

N.C. Equity Fund	173.5	184.5	+1.3	4.03
N.C. Engy. Res. Tst.	115.9	123.3	+0.5	2.83
N.C. Income Fund	153.4	163.1	+0.8	7.84
N.C. Intl. Fd. (Inc.)	73.1	77.7	.....	1.83
N.C. Intl. Fd. (Acc.)	74.1	78.8	.....	1.83
N.C. Smllr Coys Fd.	184.1	195.8	-0.5	4.01

Rowan Unit Trust Mngt. Ltd.♥ (a)
City Gate Hse., Finsbury Sq., EC2. 01-606 1066

American July 5	60.0	63.0	.....	1.53
Securities July 3	194.5	204.5	.....	5.74
High Yield July 4	54.7	57.5	-0.6	8.58
(Accum. Units)	82.1	86.3	-0.8	8.68
Merlin July 4	85.9	90.5	.....	4.04
(Accum. Units)	108.2	113.9	.....	4.04

Royal Tst. Can. Fd. Mgrs. Ltd.
48-50, Cannon St., London EC4M 6LD 01-236 6044

Capital Fd.	72.5	76.5	.....	3.38
Income Fd.	70.7	74.6	.....	7.53

Prices at June 29. Next dealing July 13.

Save & Prosper Group♥
4, Great St. Helens, London EC3P 3EP
68-73 Queen St., Edinburgh EH2 4NX
Dealings to: 01-554 8899 or 031-226 7351

International Funds

INSURANCE AND PROPERTY BONDS

OFFSHORE AND OVERSEAS FUNDS

NOTES

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Five to Fifteen Years

Over Fifteen Years

Undated

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COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

30J	30J	FFI 13pc 1981	101	2.1	12.87	12.25
15M	15N	Do. 14pc '79	101	9.4	14.24	—
20J	20D	Do. 14pc '83	104	20.11	13.47	12.76
31 Mr	30 S	ICFC 5½pc Deb. '80-82	85	12.2	6.61	12.00
31My	30N	Do. 6¼pc Db. '81-84	79½	23.4	7.96	11.88
11J	11J	Do. 10½pc Uns.Ln. '86	92½xd	4.6	11.35	12.20
11J	11J	Do. 11pc Uns.Ln. '88	92½xd	4.6	11.89	12.30
11J	11J	Do. 11¾pc Uns.Ln. '90	95xd	4.6	12.36	12.60
30 Je	31 D	Do. 7¼pc A Deb. '89-92	66½	4.6	10.98	12.40
31Mr	30S	Do. 7¼pc A Db. '91-94	66½	12.2	11.30	12.60
31Mr30S		Do. 9pc 'A' '91-94	78½	12.2	11.90	12.60
28F	31A	Do. 8⅞pc Ln. '92-97	77	29.1	12.14	12.50
—		Do. 12¾pc. Uns. Ln. 1992	100	—	12.88	12.90

FOREIGN BONDS & RAILS

AMERICANS

S.E. List Premium 6¼% (based on US$2.2242 per £)

CANADIANS

S.E. List Premium 6¼% (based on $2.5838 per £)

BANKS AND HIRE PURCHASE

Jan.	Apr.	Dewes (G. R.)	13	18.10	—	—	—	—
—		Deutsche Bank DM50	£70	21.5	Q18%	—	3.3	—
—		F. C. Finance	70	23.4	2.2	4.9	4.5	6.5
—		First Nat. 10p	6¾	974	—	—	—	0.5
—		Do. Wrrts. 75-83	2¼	—	—	—	—	—
—		Fraser Ans. 10p	13½	874	—	—	—	—
June	Dec.	Gerrard Natnl.	263	8.5	9.12	—	5.0	—
May	Nov.	Gibbs (A.)	41	8.5	2.2	—	7.7	—
Mar.	Aug.	Gillett Bros. £1	262	26.2	16.95	—	9.2	—
June		Goode D't Mry.5p	22	12.3	0.25	—	1.6	—
Nov.	April	Grindlays	121	12.3	3.07	7.5	3.6	3.8
April	Oct.	Guinness Peat	96	12.2	H5.67	—	8.4	—
Dec.	July	Hambros	305xd	2.7	10.92	—	5.1	—

BANKS & HP—Continued

Hire Purchase, etc.

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INSURANCE—Continued

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Investment Trusts

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INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]								
May	Dec.	Park Place Inv.	60	26.3	12.5	4.4	6.0	10.7
June	Nov.	Pearson (S) & Son	268	23.4	8.0	4.3	4.3	7.5
Nov.	July	St. George 10p.	14½#	30.10	ф0.48	ф	4.9	ф
July	Dec.	Scot. & Merc. 'A'	115	27.11	3.37	1.2	4.2	29.3
Nov.	May	S.E. £4¼pc Ann.	£56	9.4	Q4¼%	—	7.6	—
March	Oct.	Smith Bros.	48	12.2	d4.97	0.8	14.8	14.0
June		Suez Fin. NF100	£30½	30.5	Q27%	ф	10.8	ф
April		Trans. Mrt. Tu. 1p	£10½	9.4	Q15.0	ф	1.4	ф
Apr.	Aug.	Wstn. Select. 20p	27	26.2	2.1	1.1	11.1	(12.8)
Mar.	Oct.	West of England	54	23.4	†1.54	4.5	4.1	6.6
—		Yorkgreen 10p.	13½	13.11	H0.33	—	3.5	27.2
Apr.	Aug.	Yule Catto 10p.	87	26.3	1.54	3.5	2.5	12.3

OILS

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—		††Aran Energy £1.	70	—	—	—	—	—
January		Attock 20p	142	11.7	—	—	—	—
May	Dec.	Brit. Borneo 10p	240	21.5	7.53	1.4	4.5	22.3
Nov.	May	Brit. Petrol'm. £1	1255	26.3	155.0	3.9	6.3	10.9
Jan.	July	Do. 8% Pf. £1	68½	18.6	5.6%	634.9	11.7	—
—		Burmah £1	145	10'74	—	—	—	39.6
Feb.	Aug.	Do. 8½ Ln. 91/96	£68½	2.1	Q8½%	4.7	e13.2	—
—		††CCP Nth. Sea £1.	£19	—	—	—	—	—
—		††Candecca Res.	80	—	—	—	—	—
Dec.	June	Century 10p	92xd	2.7	F3.65	3.3	5.7	7.7
		Charterhall 5p	43	3'67	—	—	—	—
July		Cie Fr. Petroles B.	£22	7'77	Q14.1fr.	1.9	8.1	9.6
—		††Cluff Oil £1	550	—	—	—	—	—
—		Do. Cnv. "A"	550	—	—	—	—	—
—		††Clyde Petrol £1.	216	4.6	d1.12	3.6	0.7	53.7
—		††Gas & Oil Acreage	215	—	—	—	—	—
—		Hunting Petrol.	136	4.6	4.65	2.0	4.9	(11.0)
December		KCA	40	8.5	1.0	4.7	3.6	6.2
—		LASMO	242	—	—	—	—	—
Feb.	Aug.	LASMO 14% 1980-85	£104	15.1	Q14%	—	e14.9	—
—		LASMO "Ops" 10p	765	—	—	—	—	—
—		Magnet Metals 10c.	23	—	—	—	—	—
May		Oil Expl. 10p	322	23.4	2.35	2.9	1.0	35.8
—		Premier Cons. 5p	40	—	—	—	—	—
—		Ranger Oil	£11⅞	—	—	—	—	—
—		Reynolds Div. 1c.	1¼	—	—	—	—	—
May	Oct.	Ryl. Dutch Fl.20	£35½	18.5	Q53.75%	1.9	7.5	6.9
—		Sceptre Res.	325	—	—	—	—	—
Nov.	May	Shell Trans. Reg.	362	26.3	h8.77	3.0	3.5	9.1
Feb.	Aug.	Do. 7% Pf. £1.	60	2.1	4.9%	1102	11.9	—
—		††Siebens (U.K.) £1.	290	—	—	—	—	—
Apr.	Oct.	Texaco 4¾% Cnv.	£60½	26.3	Q4¾%	—	f8.0	—
Dec.	July	Tricentrol	242	23.4	N5.36	6.4	3.2	19.0
—		Ultramar	314xc	11'65	hN9.37	—	4.3	8.8
Jan.	July	Do. 7pc Cnv. £1	155	2.1	Q7%	37.5	6.5	—
—		††Viking Oil £1.	265	—	—	—	—	—
[illegible]								

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

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TEAS

India and Bangladesh

[illegible]

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Africa

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MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

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[illegible]

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[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

CENTRAL AFRICAN

[illegible]

MINES—Continued

AUSTRALIAN

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Acmex	12½	—	—	—	—
Nov.	Apr.	Bougainville 50 Toea	107	14.3	Q15c	1.0	7.2
—		BH South 50c.	84	9'74	—	—	—
—		Central Pacific	830	—	—	—	—
Oct.	May	Conzinc Riotinto 50c.	186	14.3	¶Q10c	2.0	3.1
—		Cultus Pacific N.L.	19	—	—	—	—
—		Endeavour 20c	12½	—	—	—	—
—		G.M. Kalgoorlie $1	83	6'67	Z03c	—	1.9
—		Haoma Gold N.L.	26	—	—	—	—
September		Hamptn Areas 5p.	184	15.1	ф3.55	2.0	2.8
—		Metals Ex. 50c	39	—	—	—	—
Dec.	Apr.	M.I.M. Hldgs. 50c	169	16.10	†Q9c	1.7	2.8
—		Minefields Expl.	15	—	—	—	—
—		Mount Lyell 25c	38	—	—	—	—
—		Newmetal 20c	16	—	—	—	—
June	Nov.	North B. Hill 50c	91	21.5	†Q8c	1.3	4.5
—		Nth. Kalgurli	14	—	—	—	—
—		Nth. West Mining	26	—	—	—	—
June	Nov.	Oakbridge $A1	85	7.4	Q12c	1.9	7.4
—		Oilmin N. L.	36	—	—	—	—
—		Pacific Copper	64	—	—	—	—
—		Pancont'l 25c	765	—	—	—	—
—		Paringa M&Ex.5p	21	—	—	—	—
Apr.	Oct.	Peko-Wallsend 50c.	290	19.9	Q15c	3.3	2.7
—		Southern Pacific	325	—	—	—	—
Oct.	May	Westn. Mining 50c.	126	26.3	†Q3c	0.7	1.2
—		Westmex	10	—	—	—	—
—		Whim Creek 20c.	50	—	—	—	—
—		York Resources	13	—	—	—	—

TINS

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Nov.	Apr.	Amal. Nigeria	26	26.3	2.81	1.3	15.4
Apr.	Oct.	Ayer Hitam $M1	290	26.3	Q300c	0.5	22.2
Apr.	Oct.	Beralt Tin	52	11.12	4.0	3.3	11.0
Jan.	July	Berjuntai $M1	175	15.1	†Q110c	1.0	15.4
Feb.	Oct.	Geevor	127	19.6	8.71	3.1	9.8
—		Gold & Base 12½p	9½	10'74	—	—	—
June	Dec.	Gopeng Cons.	335	23.4	†18.0	1.4	7.7
—		Hongkong	320	18.6	†12.5	2.8	5.6
May	Nov.	Idris 10p	87	23.4	8.0	ф	13.7
—		Jantar 12½p	10	4'67	♦	—	—
—		Kamunting $M0.50.	63	12.12	†Q12.5c	2.1	4.3
Jan.	July	Killinghall $M1	350	2.1	—	—	—
Apr.	Dec.	Malay Dredging $M1	375	26.3	†175c	0.7	1.7
—		ΔPahang	28	27.11	—	—	—
Mar.	Sept.	Pengkalen 10p	103	23.4	4.5	1.2	6.5
June.	Jan.	Petaling $M1	200	4.6	†Q120c	1.3	12.9
Mar.	Oct.	Saint Piran	66	2.1	†2.03	6.5	4.4
February		South Crofty 10p	47	2.1	†4.19	2.0	12.7
Jan.	July	South Kinta $M0.50.	170	2.1	†Q145c	0.6	18.3
May	Dec.	Sthn Malayan $M1	335	26.3	†Q190c	1.0	12.2
—		Sungei Besi $M1	250	11.12	mQ65c	5.3	5.6
—		Supreme Corp. $M1	48	9'74	ZQ10c	—	4.5
May	Nov.	Tanjong 15p	95xd	2.7	7.5	ф	11.3
Sept.	Mar.	Tongkah H. Tin	90	21.5	†Q24c	0.7	6.0
Apr.	Oct.	Tronoh $M1	190	21.5	Q25c	5.2	3.0

COPPER

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
June	Dec.	Messina R0.50	66	12.12	—	—	—

MISCELLANEOUS

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
—		Barymin	65	—	—	—	—
—		Burma Mines 17½p	12	5'75	—	—	—
Aug.	Feb.	Cons. Murch. 10c.	265xd	2.7	ZQ30c	—	6.8
November		Northgate C$1	335	30.9	—	—	—
Jan.	July	R.T.Z.	270	8.5	11.5	2.7	6.1
—		Robert Mines	29	—	—	—	—
—		Sabina Inds. C$1.	36	—	—	—	—
—		Tara Exptn. $1	587	—	—	—	—

GOLDS EX-$ PREMIUM

London quotations for selected South African gold mining shares in U.S. currency excluding the investment dollar premium. These prices are available only to non-UK residents.

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's
Feb.	Aug.	Buffels R1	$16¼	2.1	Q200c	ф	14.9
Aug.	Feb.	East Drie R1	$14xd	2.7	†Q115c	1.6	9.9
Aug.	Feb.	East Rand Prp. R1	$10¼	2.7	†Q10c	—	1.2
June	Dec.	F.S. Geduld 50c	$27½	30.10	†Q315c	2.4	13.9
June	Dec.	Pres. Brand 50c	£19⅝	30.10	†Q150c	3.2	9.3
May	Nov.	St. Helena R1	£17½	26.3	†Q190c	1.4	13.1
Aug.	Feb.	Stilfontein 50c	690c	2.1	†Q66c	ф	11.6
Aug.	Feb.	Vaal Reefs 50c	$34½	29.1	Q280c	2.7	9.8
Feb.	Aug.	West Drie R1	$47½xd	2.7	Q615c	1.7	15.7
June	Dec.	West Hldgs. 50c	$34¼	2.5	†Q415c	1.4	14.5
Feb.	Aug.	Western Deep R2	$16¼	29.1	Q147½c	2.1	10.7

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ф Figures or report awaited.
- †† Unlisted security.
- # Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividends or forecasts.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- ‖ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1979-80. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1978-79. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Figures based on prospectus or other official estimates for 1978-79. Q Gross. T Figures assumed. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stay unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

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REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	26	......	Sindall (Wm.)	148	......
Bertam	25	......	**IRISH**		
Bdg'wtr. Est. 50p	405	......	Conv. 9% '80/82	£87⅞	......
Clover Croft	28	......	Nat. 9¾% 84/89	£71⅝	......
Craig & Rose £1	£11½	......	Fin. 13% 97/02	£84⅞	......
Dyson (R. A.) A	26	......	Alliance Gas	62	......
Ellis & McHdy	68	......	Arnott	370	......
Fife Forge	54	......	Carroll (P.J.)	106	-5
Finlay Pkg. 5p	20	......	Clondalkin	82	......
Graig Ship. £1	305	-5	Concrete Prods.	90	-10
Higsons Brew	78	......	Helton (Hldgs.)	80	......
Holt (Jos) 25p	260	......	Ins. Corp.	217	......
I.O.M. Stm. £1	168	+1	Irish Ropes	87¼	......
Pearce (C. H.)	240	......	Jacob	42	-3
Peel Mills	30	......	T.M.G.	190	......
Sheff. Refrshmt.	90	......	Unidare	83	......

OPTIONS

3-month Call Rates

Industrials		I.C.I.	24	Tube Invest.	30
A. Brew	9	"Imps"	8	Unilever	35
BOC Intl.	6	I.C.L.	55	U.D.T.	5
B.S.R.	7	Inveresk	7	Utd. Drapery	10
Babcock	18	KCA	5	Vickers	18
Barclays Bank	32	Ladbroke	22	Woolworths	7½
Beecham	52	Legal & Gen.	14		
Blue Circle	18	Lex Service	11	**Property**	
Boots	18	Lloyds Bank	25	Brit. Land	7½
Bowaters	18	"Lots"	5	Cap. Counties	9
B.A.T.	28	London Brick	7	Land Secs.	25
Brown (J.)	50	Lonrho	8	MEPC	17
Burton 'A'	26	Lucas Inds.	25	Peachey	13
Cadburys	7	"Mams"	18	Samuel Props.	14
Courtaulds	10	Mrks. & Spncr	11	Town & City	2¼
Debenhams	8	Midland Bank	30		
Distillers	21	N.E.I.	14	**Oils**	
Dunlop	6½	Nat. West. Bank	28	Brit. Petroleum	100
Eagle Star	14	Do. Warrants	15	Burmah Oil	13
E.M.I.	12	P & O Dfd.	10	Charterhall	5
Gen. Accident	21	Plessey	10	Premier	5
Gen. Electric	35	R.H.M.	5	Shell	25
Glaxo	50	Rank Org.	25	Ultramar	25
Grand Met.	14	Reed Intnl.	18		
G.U.S. 'A'	30	Sears	5½	**Mines**	
Guardian	24	Spillers	4½	Charter Cons.	16
G.K.N.	28	Tesco	7	Cons. Gold	20
Hawker Sidd	26	Thorn	35	Rio T. Zinc	27
House of Fraser	18	Trust Houses	17		

FINANCIAL TIMES
Monday July 9 1979

Carter calls in U.S. business leaders to oil crisis talks

BY DAVID BUCHAN

PRESIDENT CARTER yesterday summoned top business leaders along with his energy advisers to his Camp David retreat. It was the third day of extraordinary consultations that may extend into mid-week, to plot new courses for the U.S. oil and economic policy whose impact will bear directly on Mr. Carter's political future.

Last week he abruptly cancelled a scheduled nation-wide energy announcement, which he deemed insufficiently prepared to cross the political watershed his Administration has now reached.

The political crisis, posed by the confused muddle in U.S. energy policy, has been underlined in a leaked memorandum to the President from his top domestic adviser, Mr. Stuart Eizenstat comparing the damage to that done by previous Administrations by the Vietnam war.

"Nothing else has so frustrated, confused, angered the American people—or so targeted their distress at you personally, as opposed to your advisers, or Congress, or outside interests," Mr. Eizenstat said in the memorandum about petrol shortages written at the end of June and since published by the Washington Post.

The magnitude of the crisis is reflected in the polls where, Mr. Eizenstated noted, the latest Harris survey "shows something never seen before—a Republican opponent, Ronald Reagan, leading you by several points."

The highly embarrassing leaking of this document is seen as symptomatic of the difficulty the Carter Administration has had in presenting a united front to the energy challenge.

Mr. Carter was nevertheless portrayed by White House officials as continuing, undismayed, painstaking efforts to build a public consensus behind new energy initiatives — meeting several state governors at Camp David on Friday and labour, black, and Democratic Party officials on Saturday.

The outcome of the Camp David deliberations—which Mr. Carter is likely to announce in a re-scheduled television address — will be eagerly awaited at home and abroad, where the U.S. commitment to keep its oil imports to 8.5m barrels a day up to 1985 is considered vital to lessen upward pressure on world oil prices.

Vice-President Walter Mondale partially lifted the veil of secrecy surrounding the Camp David weekend talks, saying that Mr. Carter was seeking consensus for a new standby petrol rationing plan to replace the one voted down by Congress in May.

The long queues outside petrol stations in many parts of the U.S. since then are thought to have changed the mood in Congress, which is now exected to give the President such standby rationing priority, if he asks for it.

The Administration is also reported to have agreed to push development of synthetic fuels up to between one and two million barrels a day. There would be strong support in Congress for such a move.

But there is apparently no agreement on the controversial proposal to scrap immediately Government controls on the price and allocation of domestic oil. This is favoured by Mr. James Schlesinger, the Energy Secretary, who has argued that price controls should be removed at once, instead of gradually over the next two years.

He has also criticised the present allocation system — which his own energy department administers — as putting "the gasoline where the cars are not."

But Mr. Carter's political advisers, including Mr. Eizenstat, regard a further boost in this way to oil prices as political suicide. Mr. Schlesinger's influence inside the Administration has waned with the mounting public criticism of his handling of energy policy and of his failure to present a coherent picture to a confused Congress and public.

Hattersley warns Labour councils

BY DAVID CHURCHILL

MR. ROY HATTERSLEY, Shadow Environment Secretary, yesterday urged local authorities to "use the law at every level" to frustrate the Government's attempts to cut local government spending by £800m.

Mr. Hattersley, who was speaking at a London conference of local authority Labour groups, made it clear that outright confrontation of the Government's cuts would be a "tactical error."

He said that Labour councils which broke the lay and became "another Clay Cross" would enable "our enemies to focus attention on the behaviour of one or two councillors and thus divert interest from cuts in services endured by millions of families."

However, he believed that councils could limit the Government's ability to dictate where the cuts should be made. "It is for each authority also to decide if it can in effect avoid any cuts in services at all," he said. "You must use the right that the law provides to decide whether cuts or rate increases, or other sorts of financial arrangements, are the right answer for your own area."

He stressed that the Government did not have the power to take "punitive action" to drive back into line any councils that attempted to protect services from the cuts and he promised that the Parliamentary Labour Party would fight "to prevent local authorities simply becoming the cyphers of central government."

Yesterday's meeting of delegates from over 60 local authority Labour groups unanimously agreed to campaign against the proposed cuts. The campaign would involve all Labour groups on councils as well as trade unions and Labour MPs.

Mr. Hattersley called on Labour councillors to expose the effects of the cuts by making "a precise and specific calculation of what the cuts will mean in their area—the teachers not recruited, parks left overgreen, roads not repaired and so on.

Continued from Page 1

Imported cars market

In June the total was just under 20,000, although the Cortina remained its top seller. Fiesta sales, which have been running at about 7,500 a month, were down to 5,800 in June.

BL, with Austin Morris division cars in free supply, took advantage of the boom in demand — the market being particularly bouyant even before pre-VAT-rise buying gave it another boost.

BL's market share moved up to nearly 21 per cent. It could have done better if problems with a new paint plant had not cut the availability of some Jaguar-Rover-Triumph models.

Among the traditional importers, Datsun led the way in June, but over the half-year Datsun has been overtaken by Renault of France, whose six-month sales were 5.49 per cent of the market. Datsun, suffering with the other importers of Japanese cars from supply constraints, had 5.38 per cent.

At the same time last year Datsun had 6.56 per cent and Renault 4.18 per cent.

Sales of Japanese cars accounted for 10.9 per cent of the June total against 9.3 per cent in June 1978. For the six months the Japanese market share was down from 11 per cent to 9.8 per cent.

The top 10 cars in June were: 1, Ford Cortina (19,901); 2, Ford Escort (15,208); 3, Austin Morris Mini (10,204); 4, Austin Allegro (9,636); 5, Morris Marina (7,491); 6, Ford Granada (6,162); 7, Ford Fiesta (5,874); 8, Ford Capri (5,712); 9, Vauxhall Chevette (4,955); 10, Vauxhall Cavalier (4,766).

Paper on bank accounting code may be published despite hitch

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

A CONTROVERSIAL discusion paper on international bank accounting practices may be published in spite of last-minute problems with central bankers.

But the paper, prepared by the International Accounting Standards Committee—the rule-making body on international company accounting matters, will not carry the same degree of support from the Basle Committee of Banking Supervisors as the accounting bodies had expected.

The committee, which includes supervisors from the Group of Ten central banks and Switzerland and is chaired by Mr. Peter Cook from the Bank of England, will simply welcome the paper as a contribution to the debate on bank accounting.

The discussion paper, as drafted at present, is described as being issued by IASC "with the support of the Committee on Banking Regulations and Supervisory Practices of the Group of Ten industrialised countries and Switzerland."

It has two parts: first, considering the need to harmonise bank financial reporting standards and second, guidelines for the development of disclosures in financial statements of banks.

The guidelines are prepared on the basis of what is believed to be the best practice capable of practical application by banks, aside from any constraints imposed on reporting by local law."

A section on undisclosed reserves states that "such reserves may result in opportunities to distort, in varying degrees, the reported earnings of a bank and to cause uncertainty as to the full extent of shareholders' interests." As a result financial statements cannot present a true and fair view as to financial position or results.

Uncertainty about the future of the discussion paper, some of whose sentiments are said to be found particularly worrying by a number of EEC central banks, led the IASC to state:

"The IASC has not had any official response from the Group of Ten regarding its decision on the extentof support, if any, it will give to the IASC discussion paper on bank disclosures.

"It would be a disappointment to the Board of IASC if the Group of Ten should decline to lend its support to the paper, and what we would do in this case has not been decided."

Saudis confirm 'very exciting' oil find

BY JAMES BUCHAN IN JEDDAH

A SENIOH Saudi Arabian official has confirmed the discovery of a sizeable oilfield in Saudi's eastern province.

Dr. Abdul Hadi Taher, governor of the State petroleum organisation Petromin, said last night that the new field is in the northern Empty Quarter, the Kingdom's vast south eastern desert, in a zone called "designated area two" by Aramco, which lifts 97 per cent of Saudi crude and is responsible for most exploration work.

"We have not yet confirmed the size but we are very excited," Dr. Taher said. The find was announced in an interview last week by the Saudi Oil Minister, Sheikh Ahmad Zaki Yamani, who referred to a "very exciting and very big new find."

Diplomats in Jeddah suggested at the time that to qualify as exciting in Saudi terms, the field would have to represent additional capacity of 800,000 barrels a day. Dr. Taher hesitated to estimate the size of the field because drilling is still going on, but he said it is "definitely under 700,000 barrels a day."

The find is over and above three fields mentioned in Aramco's annual report for 1978 which apparently added 3.1bn barrels to Saudi Arabia's proven reserves

Major court battle over Iran's telephones

BY ANDREW WHITLEY IN TEHRAN

GENERAL Telephone and Electronics, the U.S. telecommunications group, and Iran's Government have embarked on what is likely to be a long and acrimonious dispute through the courts. At stake are the future of Iran's massive telephone expansion programme and the troubled political relationship with the United States.

At the weekend the American company, which serves 14.3m domestic and 2.1m international telephones, lodged an appeal against a restraining order from a Tehran court, on behalf of the Telecommunications Company of Iran (TCI), preventing GT and E from drawing on the balance of approximately $100m in a line of credit set up to fund the contract for the manufacture, installation and maintenance of 950,000 telephone lines.

Work began on GT and E's $600m contract in the summer of 1975, and was due to be completed this year, though final contracts were not signed until December 1977. The Iranian state agency now claims that having paid out $400m only 3,000 telephone connections are installed, but GT and E say they have installed 125,000 lines and received $180m.

Much of the dispute centres on legal distinctions between GT and E International and its local subsidiary GT and E Iran.

The initial writ served against GT and E claims breach of contract on the grounds that GT and E International shipped $135m worth of equipment to GT and E Iran after the latter had declared force majeure last September, when the anti-Shah disturbances were building up, disrupting much site work.

Negotiations for an out-of-court settlement have continued up to the last moment, with mediation led by Dr. Ibrahim Yazdi, the Foreign Minister.

For the Iranian Foreign Ministry the GT and E dispute with TCI is a major test case in future commercial relations with the U.S. Dr. Yazdi is believed to be particularly anxious to secure a settlement because of growing fears within the provisional Government of a drift in public sympathy towards the Left.

A short-lived accord was reached on Thursday evening for a 12-month moratorium on the shipment of equipment to Iran, allowing TCI a breathing space to sort out the confusion around its $3bn programme.

Apparently the compromise was initially rejected by GT and E's headquarters, presumably on the ground that the corporation should not suffer unduly from a situation it did not consider its fault. But the company later reversed its position only to find that the Government was insisting on an 18-month moratorium, and the negotiations broke down.

GT and E says force majeur was applied to only one site. It also points out that it is owed $12.4m in long delayed instalment payments and claims Iran had shown little active interest in settling the debt. The contract is well behind schedule, but this, the company says, is due to factors outside its control.

Most foreign companies facing the problem of non-payment by Iranian Government agencies are compelled to live with the problem by the need to limit their losses, and thus seek to complete their original contracts.

Callaghan moves to thwart NEC Left

By Richard Evans, Lobby Editor

INTENSIVE lobbying of the trade unions to secure a change in the Leftward balance of the Labour Party's National Executive Committee has been launched with the full backing of Mr. Callaghan and moderate members of the Shadow Cabinet.

The intention is to unseat at least two Left-wing members of the Executive to try to heal relations between the Parliamentary Party headed by Mr. Callaghan and the NEC, whose leading Left-winger is Mr. Anthony Wedgwood Benn.

But Mr. Callaghan and his colleagues admit that a similar strategy has been launched prior to the last two party conferences. It foundered because of the unwillingness of leading trade unions to switch their block votes, and because of the wheeler-dealing between unions for places on the NEC and the TUC General Council.

Some moderates are no more optimistic this time, but they hope that the growing bitterness of the split between Left and Right will scare the unions into action on the grounds that continuing conflict could see Labour out of office for a decade.

Lobbying will continue through the summer union conferences and the TUC in the first week of September until the Labour Party conference in Brighton in October.

Vulnerable

Following the latest humiliations inflicted on Mr. Callaghan by the NEC last week—when decisions were taken against his wishes to reopen the issues of electing a leader and the annual reselection of MPs—leading members of the Shadow Cabinet are now preparing to speak publicly against the Executive.

This tactic could lead to the most significant internal party conflict since the 1950s, but shadow Ministers believe it is imperative to bring matters to a head so that the party can use the years in opposition to draft policies on which to fight the next election rather than continue internecine warfare.

The most vulnerable Left-wing members of the NEC are two members of the women's section, Miss Joan Maynard and Mrs. Renee Short, and a switch by one major union could lose them their seats. They would probably be replaced by Miss Betty Boothroyd and Dr. Shirley Summerskill, two moderates.

An attempt is also being made to draft Mr. Peter Shore, shadow Foreign Secretary, to challenge Mr. Norman Atkinson as party treasurer, but Mr. Shore is unlikely to accept because of his desire to maintain his links with the Left. Mr. Atkinson is likely to repeat his comfortable win over Mr. Eric Varley.

Weather

UK TODAY

BRIGHT intervals. Rain in some parts.

London, S.E. and Cent. S. England, E. Anglia, Midlands, Channel Is.

Cloudy, bright intervals. Some rain later. Max. 20C (68F).

Lake District, Isle of Man, S. Cent. and E. Scotland, N. Ireland

Dry, sunny periods. Max. 19C (66F).

Rest of England, Wales

Cloudy with some rain, becoming dry with sunny periods. Max. 19C (66F).

Rest of Scotland

Sunny intervals, showers. Max. 17C (63F).

Outlook: Dry, sunny periods.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	26	79	L. Plms.	S	24	75
Algiers	S	28	82	Lisbon	S	25	77
Amsdm.	F	17	63	Locarno	S	28	82
Athens	S	27	81	London	C	21	70
Bahrain	S	37	99	Luxmbg.	F	18	64
Barclna.	S	27	81	Luxor	S	42	108
Beirut	S	27	81	Madrid	S	32	90
Belfast	C	16	61	Majorca	S	30	86
Belgrd.	C	23	73	Malaga	S	28	82
Berlin	R	15	59	Malta	S	28	82
Biarritz	S	26	79	M'chstr	C	18	64
Bmghm.	C	19	66	Melbne.	C	16	61
Blackpl.	C	16	61	Mntreal.	S	25	77
Bordx.	S	28	82	Moscow	F	22	72
Boulgn.	C	17	63	Munich	R	18	64
Bristol	F	19	66	Nairobi	C	18	64
Brussels	S	19	66	Naples	F	24	75
Budpst.	R	15	59	Nwcstl.	R	16	61
B. Aires	C	11	51	N. York	S	25	77
Cairo	S	33	91	Nice	C	23	73
Cardiff	C	17	62	Nicosia	S	26	79
Cas'b'ca	C	24	75	Oporto	S	24	75
Cape T.	S	15	59	Oslo	R	16	61
Chicago	C	23	74	Paris	C	21	70
Cologne	C	18	64	Perth	R	12	54
Cpnhgn.	C	15	59	Prague	R	12	54
Corfu	S	29	84	Reykjvk.	R	11	52
Dublin	C	18	64	Rhodes	S	26	79
Dbrvnk.	S	23	73	Rome	F	27	81
Ednbgh.	R	14	57	Salzbrg.	R	13	55
Faro	S	25	77	Singapr.	S	29	85
Florence	F	27	81	Strsbg.	F	20	68
Frankft.	F	20	68	Sydney	S	19	66
Funchal	F	21	70	Tangier	S	26	79
Geneva	F	23	73	Tehran	S	31	88
Gibrltr.	S	26	79	Tel Aviv	S	27	81
Glasgow	R	14	57	Tenerife	S	20	68
G'nsey	C	18	64	Tokyo	C	25	77
Helsinki	C	17	63	Toronto	S	28	83
H. Kong	S	30	86	Tunis	S	32	90
Innsbrk.	F	17	63	Valencia	S	32	90
Invrnss.	R	13	55	Venice	C	21	70
I.o.Man	C	14	57	Vienna	F	17	63
Istanbul	S	24	75	Warsaw	R	15	59
Jersey	C	17	63	Zurich	F	18	64
Jo'burg	S	12	54				

C—Cloudy. F—Fair. Fg—Fog. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow.

THE LEX COLUMN

Dividend policy reconsidered

The first days of freedom after years behind bars can be very confusing. After nearly seven years of non-stop statutory controls, company directors have got out of the habit of thinking seriously about dividend policy. Their main concern has been to pay the maximum allowable under the law, and in some cases it seems as though dividends have come to be seen almost as a fixed charge rather than a reward for risk taking. Even when companies have had heady moments of freedom—when making a rights issue or defending a takover bid, for instance—the payout decision has usually been more related to immediate tactics than to long term strategy.

The controls have introduced serious distortions into the capital market. They made it possible for inefficient companies to raise equity capital in order to finance excessive dividend payments—in effect, giving the shareholders their own money back after the tax man and inflation have taken out their bite.

Decisions

Now that the end of statutory controls is only weeks away, directors have some tricky decisions to take at a time when, as GEC remarked plaintively last week, "appropriate standards of yield and cover have not yet been established." GEC's decision to limit its dividend increase to a level which left the payment covered more than five times by retained earnings was not universally popular—especially when contrasted with a statement shortly afterwards from BP which promised that its dividend this year would be more than doubled. So the quicker the appropriate yardsticks can be established, the better for everyone concerned.

Inflation has changed the ground rules considerably since the last period of dividend freedom. It has meant that figures for dividend cover based on historic cost profits have become increasingly overstated, and it has tended to make company directors more cautious about the need for retentions. This, just as much as the existence of statutory controls, explains why the average level of dividend cover has risen steeply since the middle of the 1960s.

Stockbrokers Phillips and Drew have calculated that in 1969 dividends on the FT-Actuaries Industrial Group Index were covered 1.5 times by attributable earnings. This figure rose to a peak of 2.9 times in 1976 and was still as high as 2.6 times in 1978. Moreover, this is on the basis of fully-taxed earnings, and does not allow for the fact that a rising proportion of companies no longer provide for deferred tax. On the basis of published earnings, the average cover would be usefully higher.

Historic cost

However, the figure that really matters these days is the cost of the divdend in relation to current cost earnings. Phillips and Drew estimate that cover of 2.6 times on historic cost earnings would fall to 2.0 times on earnings calculated according to ED 24. And although there are no golden rules, that seems to be much too cautious a payout ratio for most UK companies to adopt.

Current cost earnings are a measure of what is left to a company after it has put enough aside to maintain the existing shape of the business in real terms. There are arguments about the proper definitions of capital maintenance in this context, but ED 24 is a reasonably conservative way of doing the figures since it does not take into account the full benefit of gearing on fixed assets. So in theory a company which had no prospects of achieving real growth ought at least to consider the possibility of paying out its current cost earnings in full. And a company which was making reasonable profits in a business which was actually contracting ought to pay out more than its current cost earnings. There is nothing sacrosanct about size.

Company managers will find all sorts of excuses for being more conservative. They will argue that they need to retain earnings to finance future growth, and that they need to keep a safety margin so as to be able to maintain their dividend in bad years as well as good. But these claims cannot be taken too far, especially in a stagnant economy like that of the UK. Genuine growth companies can finance themselves with rights issues. Others may wish to build up retentions in order to finance diversification—but it is at least arguable that such moves are more to gratify the management's interests than anyone else's: shareholders want to diversify, after all, they can switch their portfolio themselves without having to pay the big premium involved in outright takeover bids.

Some element of safety margin is certainly worth having, for the stock market has a ruthless way of treating the shares of companies that cut their payments. But such insurance is expensive, and provided that their policy is clearly stated, companies in violently cyclical industries ought not to be afraid of raising or lowering their dividends in line with short-term earnings trends.

One fear expressed by some companies in private is that too rapid an adjustment in the payout ratio could enrage their employees ahead of a delicate period of wage negotiations. Yet BP, for instance, can point out that the big increase in this year's payment will do no more than take the growth in dividends back into line with the growth in its earnings over the past decade. And it is dangerous to be too timid, for whatever the politicians may say today there can be no assurance that the dividend window will not slam down again at some point. Dividend freedom has become the exception rather than the rule, and since 1965 there have been less than three years in which no form of restraint has been imposed.

Strategy

For most businesses, then, a dividend covered somewhere between 1 and 1½ times by inflation-adjusted earnings ought to be a cost that they can live with comfortably. There is a strong case for companies to make a public statement about their long-term dividend strategy as soon as possible and also to give some indication of their short-term reaction to the absence of dividend controls. BP has shown the way here. Companies which regularly pay out more than they earn on a current cost basis will expect to be treated with reservation by the stock market and those which stick to a dividend cover of more than around 1½ times ought to be ready for some critical questioning.

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